FINANCIAL TIMES

Start the week with...

Eurofighter
The week of reckoning
Page 21

Interview
Life, the world, and Jerry Lewis
Page 19

Côte d'Ivoire
Small country with big ambitions
Survey, Pages 9-12

World Business Newspaper http://www.FT.com MONDAY JUNE 2 1997

The fourth part of our new 12-part series, FT Mastering Finance, appears today. Topics include exchange rate exposure, hedging, spin-offs and new equity issues.

Moscow's $500m city bond issue excites investors

International investors gave the city of Moscow's municipal bond an unexpectedly warm welcome, encouraging other Russian cities and regions to bring forward their issues. Analysts attribute the success of the three-year $500m offering to the city's budget surplus and a growing foreign appetite for Russian bonds. Page 22

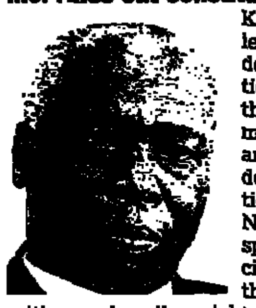
Two bombs explode in Algiers: Five people were feared dead and up to 50 hurt when two bombs exploded in Algiers four days before elections which the authorities hope will help end more than five years of bloodshed they blame on Moslem fundamentalists. *Key to* Algeria's stability, Page 6

Stet close to Serbian deal: Italian telecoms group Stet is close to a deal with the Serbian government to buy 49 per cent of state-owned Telecom Serbia, officials said. Page 23

Andersen partners reject chief: Partners of professional services organisation Andersen Worldwide, in open dispute over the choice of a chief executive, rejected the candidate put forward by the board. Page 22

Inflation still a concern for Italians: Bank of Italy governor Antonio Fazio warned that "pockets of inflation" in the economy were still causing concern even though consumer prices were at their lowest level for 30 years. Page 2

Moi rules out constitutional reform



Kenyan president Daniel arap Moi rejected demands for constitutional reform ahead of the country's second multi-party elections and continued a crackdown on the opposition. He told a rally in Nairobi that the atmosphere was "not conducive" to discussion of the constitution, which critics say heavily weights the electoral system in the ruling Kanu party's favour. Page 22

Liberals likely to win in Canada: Canada's ruling Liberal party, led by prime minister Jean Chrétien, is set to win today's general election, according to opinion polls, but with a reduced majority. Page 5; Editorial Comment, Page 21

Setback for Japanese rescue: The Japanese government's attempt to end the crisis caused by the collapse of Nissan Mutual life insurance group received a setback when one of its sister groups refused to inject funds into a new company to *take over Nissan Mutual's* liabilities. Page 23

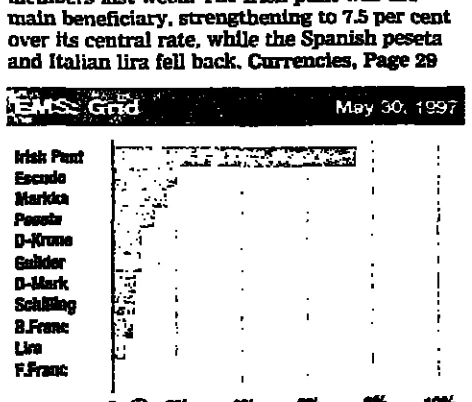
Anger at Crimea deal: Russian nationalists are furious about a "friendship treaty" with Ukraine which recognises the two countries' borders but allows Moscow to lease part of the Sevastopol naval base in Crimea. Page 2; Editorial Comment, Page 21

Russia to repay $400m Tsarist debts: Russia is to pay $400m to clear its Tsarist-era debts to France, ending one of the longest-running financial disputes in history. Page 2

French Derby winner: Peintre Celebre, ridden by Olivier Peslier and trained by Andre Fabre, won *Les Emirats Prix du Jockey-Club* (the French Derby) at Chantilly.

European Monetary System: The French franc's weakness, caused by uncertainty over the election, pulled it down against the other members last week. The Irish punt was the main beneficiary, strengthening to 7.5 per cent over its central rate, while the Spanish peseta and Italian lira fell back. Currencies, Page 29

EMS Grid May 30, 1997



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

President will have to share control with Socialists after election gamble fails

Blow for Chirac as French left sweeps to power

By David Buchan, David Owen and Andrew Jack in Paris

The left yesterday swept back to power in France, winning a clear majority of up to 90 seats in the country's general election.

The stunning defeat for the right, which had an enormous majority in the previous National Assembly, is a stinging blow for President Jacques Chirac who, in calling the snap election, felt sure that his RPR Gaullist party and its centre-right UDF coalition partner would win again.

With the failure of his gamble, the Gaullist president will now be condemned to share power for his remaining five years in the Elysée with a Socialist-led government.

The election outcome is a personal triumph for Mr Lionel Jospin, the Socialist leader, who is set to become prime minister this week. He promised last night to respond to the electorate's demands by implementing a number of "innovative and practical measures". The result will probably mean the scrapping of plans to float a minority stake in France Télécom and to privatise Thomson-CSF, the defence electronics giant. The Thomson sale is seen as critical for the restructuring of the European defence sector.

It will also create new uncertainty over European economic and monetary union (Emu). The Socialists, whose late president François Mitterrand signed the Maastricht treaty, campaigned to victory on pledges to ensure that Emu promoted jobs and growth, provided governments with some influence over the planned European central bank, and encompassed countries like Italy from the start. France has 3.3m people out of a job, or 12.8 per cent of its workforce.

Mr Jospin immediately signalled that a "reorientation of European construction" would be among his government's top priorities.

It was not yet clear the extent to which the Socialists would need to depend on the Communists. The latter, however, remain hostile to or suspicious of Maastricht and the single currency.

Mr Philippe Séguin, who in the closing days of the campaign emerged as the centre-right's standard bearer, last

Continued on Page 22
Jospin exploits national disappointment, Page 3
Editorial comment, Page 21

French election results
First exit poll

Party	Seats
RPR-UDF	235
Socialists and allies	289
Communists	36
Greens	8
Independent Right	8
National Front	1

Source: Sofres

Curtain-raiser: Lionel Jospin leaves the polling booth after casting his vote yesterday Picture: Reuter

Gencor may float metals operation in London

By Kenneth Gooding in London and Mark Ashurst *in Johannesburg*

Gencor, South Africa's second biggest mining group, is believed to be considering plans to split itself in two and float its base metals operations on the London stock exchange.

The company, valued on the Johannesburg stock exchange at $7.49bn, would only say yesterday that it was considering a number of schemes to give it access to international capital markets so that it could fund its ambitious plans for growth.

If a split goes ahead, the demerged company would include most of the assets of Billiton, which Gencor bought from Shell in 1994 for $1.2bn, and Alusaf, its South African aluminium smelting subsidiary.

The new company might also include Gencor's half share of Richards Bay Minerals, a titanium producer, and the group's coal, ferro-alloy, nickel and stainless steel operations.

South Africa's central bank would have to approve the inclusion of South African assets. Exchange controls bar local organisations from having more than 10 per cent of their assets abroad.

Gencor said last night that it was evaluating several substantial mining and smelter projects.

"Although it is likely that not all of these will advance beyond the study phase, it is clear that Gencor's ability to compete for and finance such projects would be significantly enhanced if it did not have to rely solely on its domestic capital market," it said.

It stressed, however, that the initiative "has a number of hurdles that still have to be overcome and has not yet been approved by the Gencor board".

Lex, Page 22
Background, Page 23

SPD challenges Kohl to call election

Gold revaluation plan has hit credibility of German policy, says opposition leader

By Andrew Fisher in Frankfurt

The main German opposition party yesterday called for a general election as the government pushed ahead with its controversial plan to qualify for European monetary union by revaluing the country's gold reserves.

Mr Oskar Lafontaine, leader of the opposition Social Democratic party, *said Chancellor* Helmut Kohl's government should not further "damage the credibility of Germany monetary and finance policy". He said: "It would be good for Germany if it [the government] would make the way free for new elections."

But Mr Theo Waigel, finance minister, said he would not be deflected by opposition or the strongly-worded criticism of the planned revaluation made by the Bundesbank last week.

"*While the Bundesbank* is sovereign in monetary policy, parliament is sovereign in its legislative decisions," he said.

At the same time, Mr Hans Tietmeyer, president of the central bank, denied a report that he had suggested a delay to economic and monetary union (Emu) beyond the 1999 start date set in the Maastricht treaty.

He said the Bundesbank stood by the treaty but repeated its objections to the *proceeds of a gold revaluation* being used to ensure Germany met the convergence criteria for the single currency.

The next general election is due in October 1998, but Mr Lafontaine – who enjoys less national popularity than Mr Gerhard Schröder, a rival *SPD* politician – did not say how quickly he thought a new election should be held. The SPD has yet to choose its own candidate to run against Mr Kohl.

Mr Lafontaine said Mr Waigel *had threatened* the *Bund*esbank's independence and created a "catastrophic" international reaction.

"The Kohl government should not damage further the credibility of Germany monetary and finance policy," he said in an interview with *Der Spiegel*, the weekly magazine.

Mr Jürgen Koppelin, budget policy expert of the Free Democratic party, junior partner in the government, said Mr Waigel should now give up his gold reserve plan. "The psychological damage would be too great."

Further strains in the coalition are expected with last night's start of emergency *talks between the governing* parties to find ways of curbing the 1998 budget deficit. Mr Waigel has not ruled out tax rises, but the Free Democrats are firmly opposed to them to balance the budget.

Cross of gold, Page 13

Oil companies line up to bid for Venezuela rights

By Raymond Colitt in Caracas

More than 130 oil companies have qualified to bid for rights to explore and produce oil in Venezuela, the country with the largest oil reserves in the western hemisphere.

The third round of bidding for operating licences opens today and Petróleos de Venezuela (PDVSA), the state-owned oil company, is inviting foreign and domestic investors to tender for licences to explore and produce oil in 20 fields. Four of these are reserved for 40 Venezuelan companies with the rest to be contested by 91 foreign companies.

Venezuela – which nationalised its oil industry in 1976 – has already replaced Saudi Arabia as the principal oil sup plier to the US.

The successful bidders are expected to invest about $5bn to increase production to an estimated 350,000 barrels per day (bpd) during the next eight to 10 years.

The opening of the oil business will take the private sector's share of Venezuela's total oil production from 8 per cent to nearly 40 per cent by 2005. More than $65bn of investment capital will flow into Venezuela's oil industry during that time.

This investment will enable Venezuela nearly to double its total oil production to about 6.2m bpd, securing its position as one of the world's leading petroleum suppliers.

It should help pull the country out of recession and boost growth in gross domestic product by between 4 and 7 per cent over the next four years, according to a study by Metroeconómica, the Caracas-based consultancy.

Oil now accounts for approximately 77 per cent of total export earnings and government officials claim that oil boom benefits will last longer than in the past. For decades the state-run oil industry redistributed wealth through handouts and subsidies but failed to involve citizens and businesses, said Mr Luis Giusti, president of PDVSA. This time, he said, Venezuelans would reap the benefits.

As much as a 10 per cent stake in each area is reserved for Venezuelan investors through new investment funds.

FT guide, Page 30

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Italian bank chief warns over inflation

By Robert Graham in Rome

The governor of the Bank of Italy has warned that "pockets of inflation" are still a source of concern even though consumer price rises have fallen to their lowest level in three decades.

Mr Antonio Fazio's worries, expressed in his fifth annual statement on Saturday, damped hopes of an imminent reduction in interest rates.

Of all Europe's central bankers, Mr Fazio has persisted longest with a tight monetary policy and from the tone of his comments he is not yet ready to ease the reins.

Mr Fazio refused to be drawn into the growing debate about delaying the single European currency – the subject was skirted round in the 35-page statement, despite reports of the German Bundesbank's desire for a delay. But he made it clear Italy had yet to make significant structural changes in public spending to ensure a sustained improvement in the budget deficit, essential for meeting the Maastricht criteria.

Laying out his policy on interest rates, the governor said: "Interest rates have come down; but a significant and durable lowering [of rates] requires expectations built round completion of the task of putting the public accounts in order and confidence that the battle against inflation has been definitively won."

On inflation he observed pointedly: "The period of price stability is still short compared to the preceding one of high inflation." He also gave a veiled warning to the Prodi government about the dangers of its plans, announced on Friday, to raise extra revenues in the 1998 budget through a realignment of value added tax. The government predicts headline inflation will rise to 1.8 per cent next year from 1.5 per cent now, but Mr Fazio talked of a 2 per cent target.

Referring to the government's budgetary policy, Mr Fazio said too many measures in this year's package were temporary and too much emphasis had been placed on the fiscal side. In spite of the governor's schoolmasterly tone, the government derived satisfaction from his broad endorsement for their macro-economic strategy intended to bring the budget deficit down to 1.8 per cent of gross national product by 2000.

On broad strategy Mr Fazio urged the government to avoid introducing new taxes and to aim to reduce fiscal pressure. Otherwise this risked further weakening the recovery. If wages were moderated, labour made more flexible, and resources released for investment not current expenditure, Mr Fazio said the economy could return to a growth rate of 3 per cent. Over the next three years the government predicts the economy will reach a maximum annual growth of 2.7 per cent.

The Bank of Italy revealed a net profit up at L2,038bn ($1.2bn) from L701m with a L1,458bn dividend for the treasury.

Russians protest at Crimea accord

By John Thornhill in Moscow

Russian nationalists have reacted with fury to a "friendship treaty" with Ukraine which recognises the two countries' existing borders but allows Moscow to lease part of the Sevastopol naval base in Crimea for 20 years.

Mr Yuri Luzhkov, Moscow's nationalist mayor, condemned the agreement as "incorrect", saying it was absurd Russia should be renting Sevastopol from itself. "Sevastopol is a Russian city and will be Russian irrespective of whatever decisions are taken," said Mr Luzhkov, who has been buffing up his nationalist credentials ahead of an expected presidential bid.

About 150 Russian protestors demonstrated in Sevastopol over the weekend, saying Mr Boris Yeltsin, Russia's president, had betrayed them by accepting Crimea as part of Ukraine.

The Russian protesters urged the Russian parliament to reject the treaty – although it is not yet clear whether the legislators will have any say in the matter.

Mr Nikita Khrushchev, the former Soviet premier, transferred Crimea to the then subject Soviet republic of Ukraine in spite of the presence of a majority Russian population. Since Ukraine became an independent state in 1991, Russian nationalists have been clamouring for Crimea's return.

Mr Yeltsin forcefully rejected these nationalist demands confirming a more conciliatory tack in Russian foreign policy over the past few weeks. The Russian president hailed the agreement he signed on Saturday with Ukraine's leaders as a "historic event" ending all outstanding problems between the two countries, which have had testy relations since the collapse of the Soviet Union.

Mr Leonid Kuchma, Ukraine's president, said Russia's official acceptance of Ukraine as an independent state could lead to a blossoming of relations: "Ukraine is a smaller country than Russia but there are fewer politicians in Russia now who think that Ukraine can be strangled by force and kept as a vassal."

The treaty resolved the most heated issue between the two countries by splitting the Black Sea fleet and allowing Moscow to base its ships at Sevastopol for 20 years. In return, Russia has written off Ukraine's outstanding energy debts.

Russia had been keen to conclude an agreement over Sevastopol to secure its interests in an increasingly important strategic region.

Editorial comment, Page 21

EU plans more use of majority voting

By Lionel Barber in Brussels

The European Union's Maastricht II treaty will introduce much more majority voting, progressive lifting of border controls, and curbs on the powers of the European Commission, according to a draft text that EU foreign ministers will review in Luxembourg today.

The new draft treaty reflects a scaling down of ambitions for deeper political integration, which should strengthen prospects of a deal at the EU summit in Amsterdam on June 16-17.

But EU leaders are no nearer striking a deal on two key issues:

- the weighting of votes between big and smaller member states;
- the use of flexibility, whereby some countries can co-operate more closely without being held back by others.

The Maastricht treaty review conference under way for 15 months – the intergovernmental conference (IGC) – is supposed to streamline EU institutions and decision-making to prepare for enlargement to central and eastern Europe around the turn of the century. Already negotiators are hinting that another IGC may be necessary to adapt the EU to 20-plus members.

The new consolidated Dutch presidency draft, obtained by the FT, includes more majority voting in new treaty areas such as incentive measures for employment; equal opportunity in social policy, public health and veterinary measures; fraud against the EU; and customs co-operation.

It would also extend majority voting in existing treaty areas such as the allocation of EU research funds, regional aid, sea and air transport policy, and vocational training.

But member states are clearly nervous about pooling sovereignty, not only in internal security but also in core EU policies such as trade.

Here, the European Commission is fighting a losing battle to extend its powers to negotiate exclusively in the fast-growing area of intellectual property and services.

According to the draft, the Commission will have to transmit "any document forthwith" which it receives during trade negotiations and draw up regular reports. The country holding the rotating EU presidency may even send a representative to accompany the Commission in the negotiating room.

In addition, member states have inserted tough language on subsidiarity – devolving decision-making to the lowest appropriate level. The text has new treaty language formalising the present curbs on the Commission's scope for proposing EU-wide action or legislation.

However, the Commission has successfully pushed for the integration of the 1985 Schengen accord on freedom of movement into the new treaty, thus carving out a role for itself.

The treaty also provides for new common policies on asylum, visa and immigration policy, though some of the provisions will be phased in over five years, following ratification of the new treaty. Britain and Ireland will have the choice of whether to join the new common policies.

The text calls for action to ensure minimum standards to protect health and safety of workers, better consultation of workers, and equality of treatment at work, but it insists that such measures must not harm the creation of small businesses.

Belgium and France have secured new language providing for possible EU action to protect workers who lose their jobs, on social security, and social protection of workers, and on conditions of work for third-country nationals in the EU. But decisions will have to be unanimous.

Dateline Brussels, Page 13

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

R

EUROPEAN NEWS DIGEST

Early elections likely in Turkey

The Turkish government coalition partners said yesterday they would seek early elections and the True Path party leader, Mrs Tansu Çiller, would take over the premiership from Mr Necmettin Erbakan, Welfare party leader, by the end of the month.

No date was set for the poll, which must be approved by parliament, although Mr Erbakan indicated he hoped it would be held by the end of the year. Elections had been scheduled for 2000.

The moves announced in a press conference by Mr Erbakan, the first pro-Islamic party leader to lead modern Turkey, and his secular coalition partner, Mrs Çiller, were widely seen as a last-ditch effort by a weakened coalition to hold on to the reins of power and to counter complaint within the secular elite. *Kelly Couturier, Ankar*

Albright warning in Balkans

Mrs Madeleine Albright, US secretary of state, delivered a blunt message to the leaders of Bosnia, Croatia and Serbi at the weekend: support the Dayton peace accord and implement political reforms, or lose vital financial support. Diplomats said Mrs Albright's forceful warnings were driven by a realisation that Bosnia has made negligible progress towards implementing the 1995 pact and there is a risk of renewed conflict if US and other Nato troops pull out as scheduled by July next year.

Mrs Albright said she told Serbian President Slobodan Milosevic at talks in Belgrade to "stop stone-walling". Sh said he should hand over to the war crimes tribunal in The Hague three officers of the former Yugoslav Nation Army and use his influence to deliver the former Bosnia Serb leader, Mr Radovan Karadzic.

The US is maintaining what it calls an "outer wall" of sanctions against Serbia, blocking its membership of the UN and IMF, until a wide range of conditions are met, including progress on democracy. *Guy Dinmore, Belgra*

Tsarist debts to be repaid

Russia is to pay France $400m to clear its outstanding Tsarist-era debts, resolving one of the longest-running financial disputes in history. The debt dispute has dogge financial relations between the two countries for decade and stalled Russia's admission to the Paris Club of creditor nations. Last year, French creditors protested that Russia was still in default of its international debt obligations and should be barred from making new sovereign issues. The row prevented the marketing of a Russian eurobond issue in France.

The deal reflected the damage the French inflicted on Russia during their intervention in the civil war of 1918-22. It also took account of the Russian gold transferred to Germany under the 1918 Brest-Litovsk peace treaty and later appropriated by France following the 1919 Versailles peace treaty. *John Thornhill, Mosc*

Danish rail link opened

Queen Margrethe yesterday opened passenger train tra by bridge and tunnel across the Great Belt, the 18 km straits between the Danish islands of Funen and Zealar The link cuts the travelling time between Copenhagen and Jutland by an hour and is expected to increase rail transport at the cost of air and ferry traffic. The DKr32 ($5bn) project, will be completed when a road bridge is opened next year. *Hilary Barnes, Copenha*

NEWS: THE FRENCH ELECTIONS

Jospin exploits a wave of national disenchantment

While others rejoiced around him,' the face of Mr Lionel Jospin remained emotionless last night as he watched the first results of voting showing a landslide for the left.

It said a great deal about the man who has led a calm restructuring of the Socialist party in the last two years and a strongly personalised election campaign in the last few weeks, and who is now poised to be appointed prime minister.

Mr Jospin did much to exploit a wave of national disenchantment after four years of rule by the centre-right – the last two reinforced under the patronage of President Jacques Chirac, whose populist promises of change have seemed hollow at a time of low economic growth and rising unemployment.

He made great play of the evils of "hard capitalism" offered by the political right, and stressed the need for a more "humane", social approach without further austerity measures – campaign themes also picked up by his opponents.

But his Protestant upbringing, which appears to have left him clean of any suggestion of corruption, has also paid dividends at a time when a number of leading figures in the ruling centre-right coalition have come under increasing scrutiny in a variety of scandals.

He may come across as austere, intellectual and uncharismatic. But he learnt a lot from his experience as the left's presidential candidate in 1995, and got off to a running start to the election campaign, which he maintained as the coherence of the right weakened in the final days.

Mr Jospin has attempted to cultivate a "man of the people" image, stressing relatively humble origins (of his grandparents if not his parents) and the fact that he travels by train like everyone else. He was careful even to be seen in person at the French rugby championships in Paris on Saturday.

While refusing to identify himself as the future prime minister if the left won, he dominated the airwaves and kept some of the more extreme members of his party and their ideas in check.

He has nonetheless defended propositions in millions of copies of the "little green book" circulated across France in the last few weeks, which include some relatively hard-line positions demanding a significant break with the outgoing government's policy.

The partial privatisation of France Télécom, which was ready to take place, is now in jeopardy, alongside the sell-offs of Thomson, the defence electronics group, and in the longer term other state-owned enterprises, including Air France.

If the manifesto is respected, discussion will shortly begin on the practicalities of creating 700,000 jobs – half in the public sector – and on preparations for a "salary conference" with unions and employers' groups. In the longer term, the Socialists remain committed to a reduction in the working week from 39 hours to 35 hours, with no cut in wages.

Meanwhile, the centre-right's intention to cut direct income taxes is now likely to be abandoned, although the Socialists have called for a cut in value added taxes in an effort to boost the level of economic activity.

Yesterday evening, Mr Jospin stressed the importance of helping the "least advantaged" and increasing the level of "dialogue" with the French. He also emphasised reforms to the country's much-criticised justice system, a reform of public institutions, and a "reorientation of the construction of Europe".

Mr Jospin, a long-time adviser to former President François Mitterrand, emerged almost by default as the Socialists' presidential candidate in February 1995, after other contenders were too discredited or unwilling to stand.

Many thought that he would fail, but his unexpectedly high score – with the most votes in the first round of voting in May that year – firmly reinforced his position at the head of the party.

He and his party had been frequently criticised for the lack of clear proposals and lengthy hesitation before reacting to a number of important political issues, including the tough new regulations on illegal immigration introduced earlier this year.

He has frequently stressed his past experience in political office – notably as education minister in 1988-92 – and has encouraged comparisons between "his" Socialist party and the rise of the moderate left in both the UK and the US.

At the very least, he has stressed one lesson inspired from the victory of Mr Tony Blair's Labour party in the UK: to promise only what can be delivered. The question from today will be just how far he holds to these campaign pledges.

Andrew Jack

Right retreats to lick wounds

Voters have ignored President Jacques Chirac's plea for backing

FRENCH ELECTIONS

In the end, yesterday's run-off in the French general election almost ran the right off the political scene. The increase in voter turnout to 71-72 per cent, compared with 68 per cent in the first round on May 25, only served to amplify victory for the left.

An Elysée spokeswoman sought to minimise President Jacques Chirac's miscalculation in calling the election 11 months early by commenting, when referring to the important challenges ahead on Europe and domestic reform, that "democracy demands that when one wants the country to embark on a new stage, one has to consult the people".

But the people's answer is a body blow to Mr Chirac. Unless he can find another plausible pretext for dissolving parliament, he must now live with a leftwing government until 2002. Evidently his intervention in the campaign, warning voters not to turn back to "Socialist ideas of yesteryear", was not heeded.

At the time, some of his rightwing supporters felt the president did not exploit fully "the red menace" by highlighting the Socialists' electoral pact with a Communist party only just coming out of its Soviet-era cocoon.

In the end, this "menace" turned out to be fairly irrelevant. The Communists increased their representation by a third to an estimated 36 seats but the Socialists, together with their Radical Socialist and Citizens' Movement allies, look like having an absolute majority by themselves. Therefore, Mr Lionel Jospin, the Socialist leader and virtual prime minister, has little need to pander to the Communists on policies or ministerial jobs, though he has vaunted his success in "federating" the forces of the left and will want to give something to the Communists and the Greens, who appear to have won eight seats in alliance with the Socialists.

The core of the new cabinet will come from the moderate wing of the Socialist party, which Mr Jospin has made his own in the 2½ years he has run the party. Potential candidates for ministerial jobs include Mr Dominique Strauss-Kahn, a former industry minister, Mr Laurent Fabius, the former prime minister who was once a rival of Mr Jospin but has recently worked well in harness with the Socialist leader, Mr Daniel Vaillant, a close associate of Mr Jospin, and Mrs Martine Aubry, a former labour minister.

Mrs Aubry's well known father – Mr Jacques Delors, the former European Commission president – is at 71 likely to have an advisory role in European and foreign affairs, where Mr Michel Rocard, another former prime minister, and Mrs Elizabeth Guigou might get ministerial jobs.

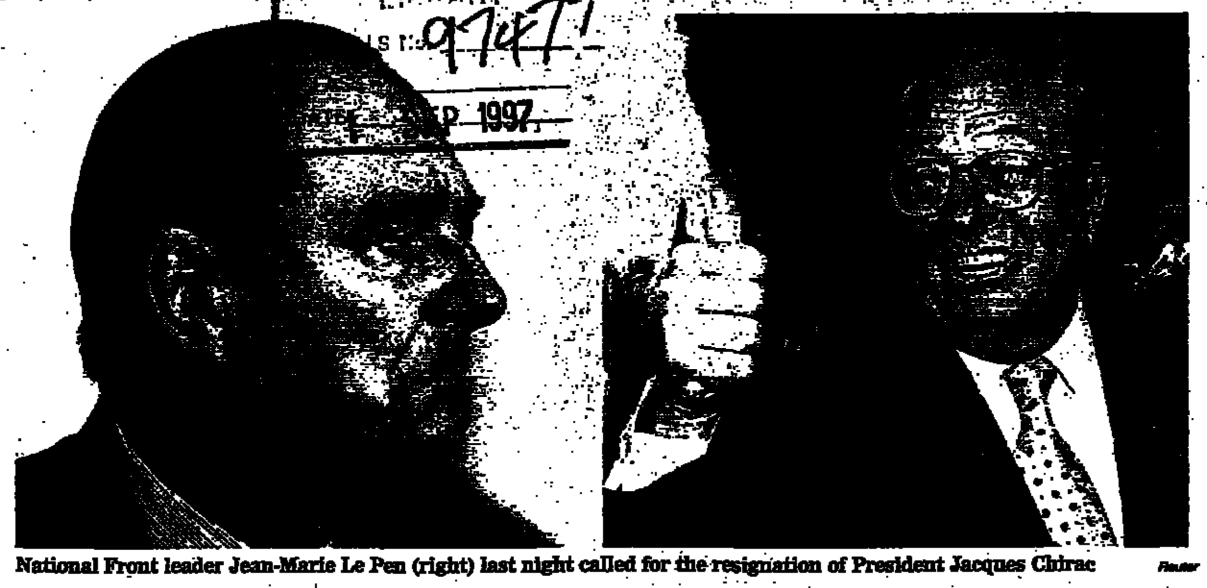
As for the centre-right, it may fragment further under the impact of a defeat it never expected.

The right wing of both the RPR Gaullists and the UDF federation was quick last night to attribute the defeat to the fact that it did not spell out clearly enough its free-market, economic liberalism.

Mr Valéry Giscard d'Estaing, the ex-president and creator of the UDF, said the need now was "to rediscover the centre ground of French politics".

It will take some time for the fallout of defeat to settle. If the centre-right comes to feel that the main strategic error of their campaign was the virtual forcing-out of Mr Alain Juppé as prime minister in the final week, then Mr Juppé may yet stay on as president of the RPR party. If not, then even that job may be up for grabs.

David Buchan



National Front leader Jean-Marie Le Pen (right) last night called for the resignation of President Jacques Chirac Reuter

Mr Jacques Toubon, the outgoing Gaullist justice minister – the most important cabinet post after the prime minister – appeared to have lost in his seat in the 13th arrondissement of Paris last night.

Mr Alain Lamassoure, the finance minister, the government's official spokesman and a member of the UDF, the junior party in the coalition, was narrowly defeated by the Socialist Ms Nicole Péry, *vice president of the European parliament,* in his constituency in Pau in the Pyrenees.

Mr Pierre-André Périssol, the housing minister, was defeated, as was Mr Gérard Longuet, a former minister under the government of Mr Edouard Balladur.

Two of the extreme rightwing National Front's candidates tipped as possible victors – Mr Bruno Mégret and Ms Marie-France Stirbois – both failed to win election.

Defeat unlikely to eclipse Séguin's star

Philippe Séguin: political influence set to remain high

Mr Philippe Séguin has at least one consolation after yesterday's resounding rejection by the French public of the RPR/UDF centre-right alliance. It is that his influence on French political life looks set to remain high in spite of the reverse.

The rumpled but reassuring mayor of Epinal emerged as the leading centre-right contender for prime minister only in the closing days of the campaign, after the RPR/UDF's poor first-round result prompted Mr Alain Juppé's decision to stand aside.

The unfortunate Mr Juppé – rather than Mr Séguin or Mr Alain Madelin, the other centre-right figure thrust belatedly into the limelight – will be the obvious scapegoat for the defeat.

Mr Séguin, 54, who led the No campaign in France's 1992 referendum on the Maastricht treaty, can also draw a certain amount of satisfaction from the extent to which Mr Lionel Jospin, the Socialist leader, stole his Eurosceptic clothes.

Mr Jospin made clear early in the campaign, for example, that he would not implement new austerity measures to ensure that France's public deficit was restricted this year to 3 per cent of gross domestic product, in line with the Maastricht criteria.

There was much common ground with the Socialists too in Mr Séguin's calls both to reform the statutes of the European central bank and for the inclusion from the outset of the largest possible number of countries in the planned single currency.

And it would be no surprise if the Socialists presided over a further shift away from payroll charges on salaries as a means of financing the country's generous social security system, as advocated by Mr Séguin.

There was, nonetheless, a hint of *déjà vu* about the programme that carried Mr Séguin to within touching distance of the Matignon. Like Mr Juppé's government before him, he promised to make the fight against unemployment, at a postwar record of 12.8 per cent, his number one priority.

The crucial difference is that, unlike Mr Juppé – whose jobs plans were subordinated to the battle to cut the budget deficit to meet the Maastricht convergence criteria – Mr Séguin pledged to make unemployment the top priority in Brussels too.

He planned to achieve this by using next year's meetings, at which the countries qualifying for monetary union in 1999 are supposed to be picked, as a forum to "restart from scratch" the European project.

David Owen

French voters threaten to give EU a headache

By Lionel Barber in Brussels

The Socialists' stunning victory yesterday in the French parliamentary elections threatens to make life a lot more complicated for the European Union.

French policy toward Europe, never entirely predictable under President Jacques Chirac these past two years, risks becoming even more incoherent.

"The French people gave the centre-right a landslide in 1993. Now they have given the left a majority. The message is that they have no idea what they want," said a senior EU diplomat.

More worrying, the change in government could unsettle the Franco-German alliance, just when a consensus between the two is crucial for the immediate future of the EU.

Only a fortnight from now, EU leaders are scheduled to conclude a new treaty in Amsterdam on the reform of EU institutions and decision-making ahead of enlargement

In the next 12 months, the 15 members of the Union must take decisions on the membership and terms of economic and monetary union (Emu), enlargement to central and eastern Europe, and a new EU budget.

The Socialists have put forward conditions for supporting Emu, notably inclusion of Spain and Italy, a flexible interpretation of the Maastricht treaty, and a European "economic government" to counter-balance the future European Central Bank.

Last week, anticipating the Socialist victory, European Commission officials played down these conditions, saying they were "aspirations" entirely compatible with the Maastricht treaty. But the emphasis on politics in Emu, rather than sound economics, could still upset the Germans.

Robert Graham adds from Rome: Italy's centre left government last night felt confident it would be difficult to exclude Italy from European monetary union following the sweeping victory of the left in France.

Since the left emerged victorious from the first round of voting in France, the coalition in Italy has felt this signified a shift of opinion in continental Europe to a more pragmatic approach to the demands of the Maastricht convergence criteria. The Prodi government does not want monetary union delayed but it believes a more flexible approach should be adopted in deciding who to include in the single currency.

Beijing urges new start in UK relations

By Tony Walker, John Ridding and James Harding in Beijing

China has called for a "new beginning" in relations with Britain following the election of the Labour government on May 1 and the return of Hong Kong to mainland control on July 1.

Vice Premier Li Lanqing said in an interview that China had conducted "very friendly" talks with Mr Tony Blair before the election and hoped this augured well for improved relations.

"I hope there will be a new beginning," said Mr Li, speaking in Beijing's Zhongnanhai leadership compound a month before the Hong Kong handover. He praised Labour for referring to Hong Kong as a "bridge" between Britain and China.

China's call for a fresh start in Sino-UK relations indicates it would welcome Mr Blair's presence at the handover ceremonies in Hong Kong.

The British prime minister is expected to announce soon whether he will travel to Hong Kong, but UK officials have signalled his presence could be jeopardised if the ceremonies involved endorsing the provisional legislature, the Beijing-backed body which will replace the existing legislature at the handover.

The provisional legislature has been at the centre of Sino-British disputes over the transfer of sovereignty. China plans to hold the swearing-in ceremony for the body shortly after the transfer of sovereignty at midnight on June 30.

President Jiang Zemin is set to go to Hong Kong, though Beijing has not confirmed he will do so.

Sino-British relations have been bumpy in the lead-up to the 1997 handover because of lingering disagreement about Governor Chris Patten's democratic reforms.

Britain is China's second largest European Union trading partner after Germany. It is the largest EU investor, with about 1,800 British-funded enterprises at the end of 1996 and contracted investment of about $12bn.

In a wide-ranging discussion, Mr Li, who is a contender for the post of premier which becomes vacant next year, also called for measures to curb rampant speculation in so-called "red chips", mainland-controlled companies listed in Hong Kong, whose share prices have surged recently.

He warned of the dangers of a "bubble economy", and said China would help "co-ordinate" efforts to calm the market. His remarks reflect mounting concern about excessive speculation in "red-chips" and risks of a crash causing instability after the handover.

Mr Li also said:

- Beijing would show greater flexibility in its attempts to secure the reunification of Taiwan with the mainland. The success of the "one country, two systems" solution for Hong Kong was critical to this process.
- China's resumption of sovereignty over Hong Kong would not affect its status as a "capitalist" enclave, and its further development would complement that of Shanghai with its "socialist" system.
- China should be granted permanent Most Favoured Nation (MFN) trading status in the US to avoid the annual row over renewal, which had "caused a lot of negative impact" on Sino-US economic relations.
- The US held the key to China's entry to the World Trade Organisation and ultimately a political decision would be required to clear the way. "You ask me when China will enter the WTO, I suggest you go and ask the biggest superpower. If it says we can enter tomorrow, we will enter tomorrow," Mr Li said.

Asean to admit Burma next month

By James Kynge in Kuala Lumpur and Ted Bardacke in Bangkok

Burma, Cambodia and Laos will be admitted into Asia's most powerful regional group next month. The Association of South-east Asian Nations (Asean) agreed on the historic step at a weekend summit which was initially divided on the issue because of accusations of human rights violations in Burma.

The Philippines and Thailand expressed reservations at the summit in Kuala Lumpur but gave way to Indonesia, Malaysia, Brunei and Vietnam, which supported entry. The US, which helped found Asean during the height of the Vietnam war and which has led international condemnation of Burma's human rights record, opposed its entry into Asean.

The decision brings 466m people under Asean's umbrella and marks the realisation of its founding aim – to extend membership to all 10 of the region's countries.

It comprises many of the world's fastest growing "tiger" economies, straddles the sea lanes from Europe to Japan and China, and according to some, provides a counterweight to China's growing influence in the region.

The three new members will be given 10 years from January 1998 to comply with the tariff reduction schedule of the Asean Free Trade Area (Afta). Other members have until 2003 to reduce tariffs on 98 per cent of traded items to below 5 per cent, apart from Vietnam, which has until 2006. Intra-Asean trade has been growing apace, climbing to more than $70bn in 1996 from $27bn in 1990.

A process of economic liberalisation in Burma, Cambodia and Laos is likely to increase their attraction to direct investors.

Another benefit of membership for Burma is that countries and companies in the region may no longer fear being singled out for criticism by the west, as the US recently did by imposing sanctions on Burma. "There will be safety in numbers," says Mr J.N. Mak of the Centre for Maritime Security and Diplomacy in Kuala Lumpur.

However, the planned tariff reduction programme could present difficulties. Cambodia's government derives 72 per cent of its tax revenue from customs and will be hard pressed to meet Afta guidelines without upsetting the national budget. The establishment of what is now clearly a "two-track" Asean could also provide excuses for some core members of the group to seek exemptions from Afta deadlines, especially in the area of agriculture and vehicles.

Meanwhile, internal Asean politics and its relationship with the rest of the world could now become more convoluted. Divisions over Burma's entry were evident, with the more democratic countries of Thailand and Philippines showing the most reluctance, while Singapore, which attaches great value to the US security presence in Asia, was more neutral.

Mr Ali Alatas, Indonesia's foreign minister, signalled that the need to balance China's growing economic and military power was a factor in the speedy admission of Burma, which is supplied militarily from Beijing. "By having all three together, we are now complete," Mr Alatas said.

Politically, however, Burma is likely to receive much more from Asean than it offers to the group. Asean's decision may be interpreted by the Burmese junta as a stamp of approval for its past actions and as a cloak against future criticism.

It is possible the west's opposition to Burma's entry could give Asean an anti-west edge, diplomats said. A conflict is already shaping up over whether Burma will be allowed to attend the Asia-Europe summit in London next year.

Even more vexing is the relationship with the US. Asean now includes a country which regards the US as an enemy, and which expects Asean to support it.

For the time being, though, Asean has not assigned the new members "dialogue partners" with non-member countries – such as the US, EU, Australia, Canada and others – thus limiting their access to big powers via Asean. But the Pan-Asian rhetoric may be dense at a December summit of Asean leaders in Malaysia, to which China, Japan and Korea have for the first time been invited. It is possible that such a summit could move Asean closer to Asia's big powers, while distancing it from the west.

HK keen to keep the lid on immigration

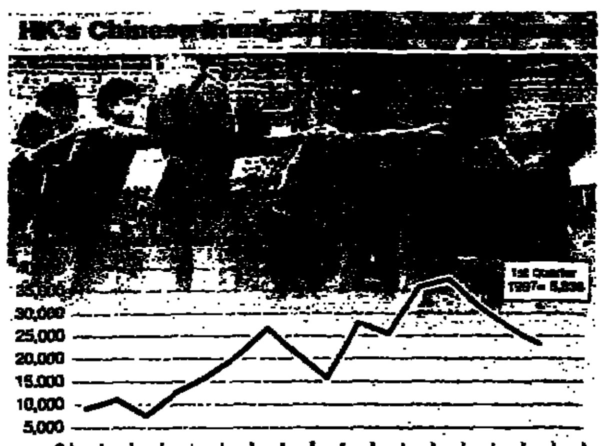
John Ridding reports that co-operation with China has increased in the weeks before handover

A recent radio phone-in covered Hong Kong's public concerns – an outbreak of tuberculosis, violent crime and inadequate housing supply. Several angry listeners blamed a common culprit – illegal immigrants from the mainland.

"They are poor and have low incomes, yet they give birth to all these children whom they cannot afford to feed," complained a caller from Kowloon. "Then they expect the Hong Kong taxpayer to support them."

The radio show revealed one of Hong Kong's most pressing worries before its return to China a few weeks from now. The dynamic business city, built by immigrants and refugees, now fears a human influx from across the border. Controlling the threat and avoiding the side effects of social divisions, corruption and strained resources are already posing an immediate challenge for the post-colonial administration of Mr Tung Chee-hwa.

It is not a new problem. Hong Kong has long provided an enticing eldorado for many on the mainland.



Source: HK police

But the handover on July 1 sharpens the risks for two reasons. Amid the patriotic fervour surrounding Britain's departure – orchestrated by Beijing – it is harder to persuade aspiring immigrants that they will be turned back. Such hopes have been fuelled by rumours spread by "snakeheads", the smugglers who sneak them into the territory.

At the same time, the Basic Law, the territory's post-handover constitution, promises the right of abode to children with a Hong Kong parent. Estimates of the numbers involved range from 30,000 to 130,000. Even the lower end of the scale would represent a sizeable chunk of a population of just 6m. Official projections issued earlier this month, which included the 150 legal immigrants from China permitted each day, forecast the territory's population would rise by 30 per in the next 20 years to 8.21m. But with pressures building to increase the number of legal immigrants, the figures may be higher still.

A sharp rise in immigration would severely strain resources in health, education and housing. "The government cannot build enough schools in such a short time," says Mr Yeung Yiu-chung, principal of Heung To middle school, who has had to cope with a surge of immigrant children.

While the radio show contained more prejudice than proof, it underlined the risk of social strains. "It is true that illegal immigrants have been involved in a number of crimes lately," says one Hong Kong legislator. "But my feeling is that they are becoming scapegoats. Patriotic sentiment counts for little when living standards are thought to be at stake".

Faced with the risk of rising immigration, the government has taken a tough stance. Several high-profile cases, including the deportation of a nine-year-old girl, have signalled there will be no relaxation in policy.

Co-operation with China has been stepped up, demonstrated by large-scale joint exercises this month with forces from neighbouring Guangdong province. Fearful that a flood of immigrants could threaten Hong Kong's prosperity, Beijing has even said it will bar citizens from travelling to the territory during the month straddling the handover.

Such measures have had an effect. The number of interceptions of illegal immigrants has fallen from 23,180 in 1996 to 7,406 for the first four months of this year. But they address only part of the problem and fail to answer concerns relating to children with the right to emigrate.

Ms Se Lai-shan, a social worker at the Society for Community Organisation, argues that the system for approval must change. At the root of the problem, she says, is China's control over the awarding of permits to immigrants. "If you have money or connections then you will be able to go, if not then some people wait 10 or 15 years," she says.

That system, say critics, fosters uncertainty and corruption. With greater certainty and a more transparent system, they argue, the tens of thousands of hopefuls with legitimate cases would be less inclined to run the gauntlet of illegal immigration. In any case, adds Ms Se, Hong Kong rather than China should have the right to choose its residents.

A task force of officials from the incoming and outgoing administrations is examining ways to tighten control over approvals and increase Hong Kong's say on who crosses the border. It is a move supported by many local business leaders. Mr Raymond Ch'ien, a member of Mr Tung's advisory cabinet, believes a selective immigration policy could help ease skills shortages in the territory's workforce.

Others are anxious that while the situation must be kept under control, Hong Kong needs immigration to supply labour and a pool of entrepreneurial initiative. "We need fresh blood all the time," says Mr Ronnie Chan, chairman of Hang Lung Development, one of the territory's big property groups. "I see people on the street from China, not smart looking, and they don't speak good English or Cantonese. But don't look down on them. That was my father 40 years ago."

Canadian election hostilities grow

By Bernard Simon in Toronto

Canadians vote today in a general election whose outcome could further distance French-speaking Quebec from the increasingly powerful western provinces of Alberta and British Columbia.

The ruling Liberal party, led by Mr Jean Chrétien, prime minister, is set to win a second five-year mandate. But according to opinion polls published before a blackout that took effect on Friday, the Liberals will be returned with a reduced majority, or perhaps only as a minority government.

Attention will centre on the performance of the four opposition parties. For each of them today's election could spell the difference between a secure future and terminal decline.

Voters are generally not dissatisfied with the Liberals' record over the past three years, notably their achievement in sharply reducing the federal budget deficit. However, Mr Chrétien has been widely criticised for calling an early election on a platform lacking fresh ideas.

At dissolution, the Liberals held 174 of 295 seats in the House of Commons. The new parliament will have 301 seats.

The secessionist Bloc Québécois and the right-of-centre Reform party, whose strength is concentrated in western Canada, each held 50 seats, trailed by the social-democratic New Democrats with nine. The Progressive Conservatives, who governed from 1984 to 1993, won only two seats in the last election despite gaining the second-highest number of votes.

The last few days of the campaign have been marked by intensifying hostility between Reform's leader, Mr Preston Manning, and the Conservatives' Mr Jean Charest, especially in Ontario, which elects more than a third of MPs.

A split right-of-centre vote allowed the Liberals to make virtually a clean sweep of Ontario in 1993. Reform is anxious for a breakthrough in the province to show it is more than a western protest movement. The Conservatives are equally desperate to regain seats to prove they are not a spent force.

The latest polls suggest Reform's strength in western Canada will be sufficient to give it "official opposition" status in the next parliament.

The Bloc Québécois has appeared in the closing stages of the campaign to regain some support. Its recovery is partly ascribed to Reform's increasingly hard line on Quebec, including controversial advertisements that questioned the right of Quebec politicians, such as Mr Chrétien and Mr Charest, to speak for the rest of the country. Mr Charest called Mr Manning a "bigot".

The Conservatives hope for a modest breakthrough in the four Atlantic provinces, Quebec and Ontario. The New Democrats would be satisfied to gain a handful of extra seats in Ontario and Saskatchewan.

In spite of the overall trends indicated by opinion polls, the outcome in terms of seats is clouded by tight three-way races in dozens of constituencies.

Editorial Comment 21

Mr Jean Chrétien, Canadian prime minister, addresses a rally in Quebec City as his campaign winds up *Reuter*

Reformed scheme draws public support despite criticism by leftwing politician

Mexicans sign up for new pensions

By Daniel Dombey in Mexico City

Mexico's new, semi-privatised social security system is picking up support sharply, new figures show, just as reforms have been attacked by one of the country's leading politicians.

The government of President Ernesto Zedillo hopes that by handing over the management of pension contributions to private fund administrators, the system will avoid bankruptcy and the national savings rate will increase.

A total of 3.4m people – more than a third of those eligible, and up from 1.2m in mid-April – have signed up with the new fund administrators, known as Afores. This follows a huge advertising blitz by the 17 Afores competing for pension accounts.

The country's two largest banks, Banamex and Bancomer, have captured more than 40 per cent of the affiliations.

Government officials said that, because of delays in processing information, it was likely that more than half of all private-sector workers were now affiliated. The Afores will start handling pension contributions in September. Within 20 years they are expected to manage funds worth some 40 per cent of GDP.

However, Mr Cuauhtémoc Cárdenas, the leftwing candidate who is heavily favoured to win the governorship of Mexico City in elections next month, late last week passionately appealed to people not to join up to the Afores. He said the new system would charge workers too much in commissions.

"The Afores strip away part of a worker's savings without benefiting him," he said. "The supposed freedom of choice the Afores have doesn't exist, because eventually everyone is obliged by law to join an Afore and pay it commission."

The regulatory authority for the Afores, known as the Consar, furiously denies that too much is charged in commission, saying that less is charged as a percentage of payments than in many comparable institutions, including mutual funds in the US. The Consar says that back-end fees will average 1.92 per cent of the Afores' balance.

Mr Cárdenas said that his Party of the Democratic Revolution would propose a counter-reform to the social security changes and would try to stop it in the courts.

The effect of Mr Cárdenas' intervention is unclear, although the head of the National Association of Afores last week indicated that 2m-3m workers would stay out of the new system. Under the current rules, all private-sector workers who do not sign up to an Afore over the next four years will be allocated one in 2001.

● Mexico's long-ruling Institutional Revolutionary party was late last week censured by the country's Federal Electoral Institute for failing to account adequately for its spending last year. The decision to fine the PRI 5m pesos ($633,000) has been seen as a sign of the greater independence of the Electoral Institute in the run-up to congressional elections next month.

Fujimori hopes for third term rise

By Sally Bowen in Santa Cruz, Bolivia

The likelihood of Peru's President Alberto Fujimori gaining a third term in office in 2000 has been boosted by the dismissal by Congress of three members of the Constitutional Tribunal and the resignation in protest of its president.

The tribunal, which is no longer operational, has existed for only a few months. But several of its rulings have irritated Peru's powerful executive and provoked public criticism from government ministers.

The latest dispute pits an annoyed executive and a compliant parliamentary majority against a tribunal pronouncement that Mr Fujimori could not run for a third term in spite of a congressional law allowing him to do so.

Although Mr Fujimori was first elected in 1990, the ruling alliance argued that his current 1995-2000 term was technically his first because the new constitution was approved in 1993.

Were he to stand again in 2000, supporters said, this would count as a first and permissible re-election attempt. The three tribunal members who voted on the issue had disagreed but their dismissal means the executive is more likely to have its way.

Independent experts argue, as did the dismissed judges, that the tribunal is the ultimate arbiter of constitutionality and that Congress has no authority over it.

The affair raises uncomfortable questions over the stability of Peru's political system. Ms Delia Revoredo, one of the ousted judges, said: "There were only two institutions in Peru independent of President Fujimori and his party. With us gone, there is only the 'defender of the people' [a watchdog]. He is excellent but he is only one man."

AMERICAN NEWS DIGEST

Clinton 'will not apologise'

President Bill Clinton's lawyer yesterday said his client might make a donation to charity, or pay his opponent's legal fees, but he would not formally admit misconduct in the sexual harassment case brought by Ms Paula Jones.

The president "is not going to apologise. . . and if she insists on a trial, we'll have a trial", said Mr Robert Bennett, a lawyer for Mr Clinton in his dispute with Ms Jones, who alleges that in May 1991 the then governor of Arkansas exposed himself and made sexual advances to her.

Ms Jones has indicated through lawyers that her demands include the full clearance of her personal reputation, which has been questioned by White House officials, and a cash settlement which she will donate, at least in part, to charity. However, Mr Robert Cammarata, one of her attorneys, made clear yesterday that a presidential statement of regret for "any distress" caused to Ms Jones, and clearing her character, would not be sufficient.

What Ms Jones wanted was a more specific acknowledgement that she was being honest in her allegation that Mr Clinton made indecent advances to her in 1991. The Jones case has shot to public attention in recent days, overtaking the separate controversies over campaign finance and real estate dealings in Arkansas, following the Supreme Court's surprise ruling that proceedings could not be delayed until the president left office. *Bruce Clark, Washington*

Banzer leads in Bolivia poll

Last-minute decisions by up to a quarter of Bolivia's 3.2m registered voters were expected to determine results in a closely contested general election yesterday. General Hugo Banzer, the dictator-turned-democrat who ruled Bolivia for seven years in the 1970s, remained the front runner but polls showed opponents closing on him quickly. Four candidates had a chance of securing the top job, since the eventual president will be decided by Congress.

Voters faced a complicated ballot paper. Ten parties presented lists and, in addition, 62 of the 130 deputies were running for the first time as individuals representing constituencies. Analysts said up to 30 per cent of voters might invalidate their ballot papers by filling them in incorrectly. *Sally Bowen, Santa Cruz*

Jamaica signs Cuba accord

Jamaica, signalling its determination to strengthen ties with Cuba despite US displeasure, has signed an investment protection accord and other co-operation agreements with its communist-ruled Caribbean neighbour.

The Jamaican prime minister, Mr Percival Patterson, signed the investment agreement with Cuban President Fidel Castro at the end of a three-day visit to Havana. Throughout the trip Mr Patterson stressed that Jamaica would like Cuba to have closer trade and political relations with the English-speaking Caribbean Community (Caricom).

The bilateral investment accord established safeguards for compensation of losses, repatriation of investment returns and settlement of disputes. The other agreements signed covered export promotion, sports and visa exemptions. *Pascal Fletcher, Havana*

Housing offers key to Algeria stability

In the "transit centre" – the bureaucratic label for a shantytown – near Belcourt in east Algiers, the election campaign ending today has made little impact.

Pro-government candidates have been to the shantytown, promising to provide housing for the 23,000 people living in similar centres around Algiers. But Mrs Rachida Sebtawi, a mother of four living in a two-bedroom makeshift shack, has heard it all before.

"They call it a transit centre but we have been here for six years, in permanent transition," she says.

As Algeria prepares for an election on Thursday that is meant to erase painful memories, it remains haunted by the problems that triggered a rebellion against the state in the late 1980s and helped drive the populace into the arms of the now banned Islamic Salvation Front (FIS).

Algeria has one of the highest home occupancy ratios in the world. When youths took to the streets in 1988 – the event that, for a few years, forced the army to accept a democratic transition – they demanded apartments for the people.

Four years later the marginalisation of the urban population led many to vote for the FIS, which had promised to restore social justice. When the army stepped in to cancel the FIS election victory, it provoked a cycle of violence that has claimed tens of thousands of lives.

This week's legislative elections are being held by the army-backed government to mark a new beginning. But the attempt to remould Algeria's political scene into a shape acceptable to the government follows three years of economic reforms which have increased pressures on citizens and worsened social discontent.

The housing shortage is the legacy of the state's domination of the sector, high levels of urban migration and population growth. The International Monetary Fund sees the problem as a threat to reform and has been working with the government to address it.

The strategy is to disengage the state from the sector.

But while this can bolster growth and job creation and relieve social pressure, it also requires increased investment. And this is difficult without a substantial improvement in security.

With 1.8m units needed to house the population in acceptable conditions, and a current annual delivery rate of less than 150,000, it would take more than a decade to satisfy demand. Moreover, construction is so expensive that less than 20 per cent of the population today can afford to pay for a three-roomed apartment.

Mr Salaheddine Talbi, chairman of the board of the state holding company overseeing housing construction, says the government aims to double yearly housing deliveries and build more affordable homes.

Companies in his holding are being liquidated or restructured to prepare for privatisation.

The government is also raising public housing rents to market levels and rental laws have been amended to encourage private sector investment.

Mr Talbi admits that such investment has been slow but he is confident it will accelerate. He says foreign companies have shown interest in investing in the sector, and cites a Spanish company considering taking over a manufacturer of prefabricated homes.

But he is looking to the elections to reduce Algeria's political risk and boost confidence in its ability to control violence. "The elections will boost private investment," he says. "We have no other choice." The faster the state withdraws from the sector, "the quicker the problem will be solved. We know that, without housing, Algerians cannot have a life".

Roula Khalaf

Youths play on building rubble left in a crowded Algiers suburb *Magnum*

Brussels in race for Norwegian salmon deal

By Neil Buckley in Brussels

Two British ministers last night flew to Brussels to urge the European Commission to take a tough line in a dispute with Norway over salmon dumping, as commissioners prepared to hold an extraordinary meeting on the issue.

Commissioners were expected to back a compromise with Norway that would avert imposition of anti-dumping duties on Norwegian salmon imports into the EU. But several said they would insist on tougher conditions than those negotiated between Sir Leon Brittan, trade commissioner, and Norway last week.

Sir Leon clashed at Thursday's weekly Commission meeting with fellow British commissioner Mr Neil Kinnock, who called the deal inadequate and blocked its acceptance by the 20-member Brussels executive.

Sir Leon's staff were understood to have held further meetings with Norway this weekend aimed at toughening the deal – only hours before a legal deadline for Brussels to act on the case expired last night.

The two British ministers – Mr Brian Wilson, Scottish industry minister, and Lord Sewell, Scottish agriculture minister – warned commissioners that an inadequate deal with Norway could put 7,000 Irish and Scottish jobs at risk.

Sir Leon insisted his deal was more effective than the 13.7 per cent anti-dumping duties he proposed in March after the Commission found Norway guilty of dumping.

The five-year agreement involved Norway undertaking to sell salmon above agreed minimum prices, capping growth in exports to the EU, and increasing its own export tax. If regular Commission monitoring found Norway failing to respect the minimum price undertaking, it could immediately impose punitive duties.

In contrast, consultations with EU states showed that any move by Sir Leon to use his right to impose temporary, six-month duties on Norway now, without formal approval from EU ministers, would be overturned by ministers at the end of the six-month period.

"There isn't a cat in hell's chance of ministers backing the duties," said one EU official. Up to 10 member states are thought to oppose duties, accusing the UK of hypocrisy in backing protectionist measures benefiting its own industry while frequently opposing anti-dumping calls by other EU states.

But Mr Kinnock objected to the planned deal's use of 1996 figures, when Norwegian salmon prices were lowest and dumping at its height, as the basis for future price and import calculations.

He complained that commissioners were not given adequate time to assess the complex agreement. He was backed at Thursday's meeting by Mrs Emma Bonino, fisheries commissioner.

Norway, which exported NKr5.5bn ($786m) of salmon to the EU last year, has launched a lobbying campaign against duties, involving its fisheries minister, foreign minister and prime minister, Mr Thorbjorn Jagland. Mr Jagland wrote to Mr Jacques Santer, Commission president, warning of a rift in EU-Norway relations.

INTERNATIONAL NEWS DIGEST

Sierra Leone leaders defiant

The leaders of the military coup in Sierra Leone last night rejected proposals by western diplomats and regional powers peacefully to step down. Instead, they named members of a new Armed Forces Revolutionary Council which combines both senior military officers and members of the rebel Revolutionary United Front.

More than 2,000 foreign nationals have been evacuated from Sierra Leone in recent days, following speculation that regional powers led by the military authorities in Nigeria were prepared to use force to restore President Ahmed Tejan Kabbah to power.

Large numbers of rebel troops have joined the mutinous soldiers in the capital and other key towns. Mr Foday Sankoh, the RUF's leader and now vice-president, has been lukewarm about a peace agreement he signed with the now-ousted civilian government in November, designed to end six years of civil war. While he has publicly declared his support for the coup, he is unlikely to be able immediately to take up his new post. *Antony Goldman, Abidjan*

Third Arab land dealer killed

Israel yesterday accused the Palestinian Authority of murdering an Arab land dealer who may have defied a recent Palestinian decree forbidding Arabs from selling West Bank land to Jews.

Mr Ali Mohammed Jumhour, an Arab with Israeli citizenship, was found shot near the West Bank town of Ramallah at the weekend. Mr Jumhour was the third Arab land dealer killed in recent weeks, since the authority revived a Jordanian law invoking the death penalty against Arabs who sell land to Jews.

Another 12 land dealers have been detained by Palestinian police. Israel has condemned the law as racist

Mr Freih Abu-Medein, Palestinian justice minister, dismissed Israel's accusations against the Palestinian Authority as "nonsense". *Avi Machlis, Jerusalem*

EU 'depleting African fish'

The European Union is subsidising its fishing fleet to deplete fish stocks off the coast of Africa, the Worldwide Fund for Nature will argue at a meeting in Geneva today.

The environmental organisation said the EU paid African countries $229m last year to allow its fishermen access to their coastal waters

"This access amounts to little more than cheap fishing rights which incur high costs to the EU and essentially benefits only the owners of large EU vessels operating in the region," it said.

The WWF is sponsoring a two-day meeting with the United Nations Environment Programme to urge leading fishing nations to phase out the estimated $540m paid out in subsidies each year to fishing fleets. *Alison Maitland*

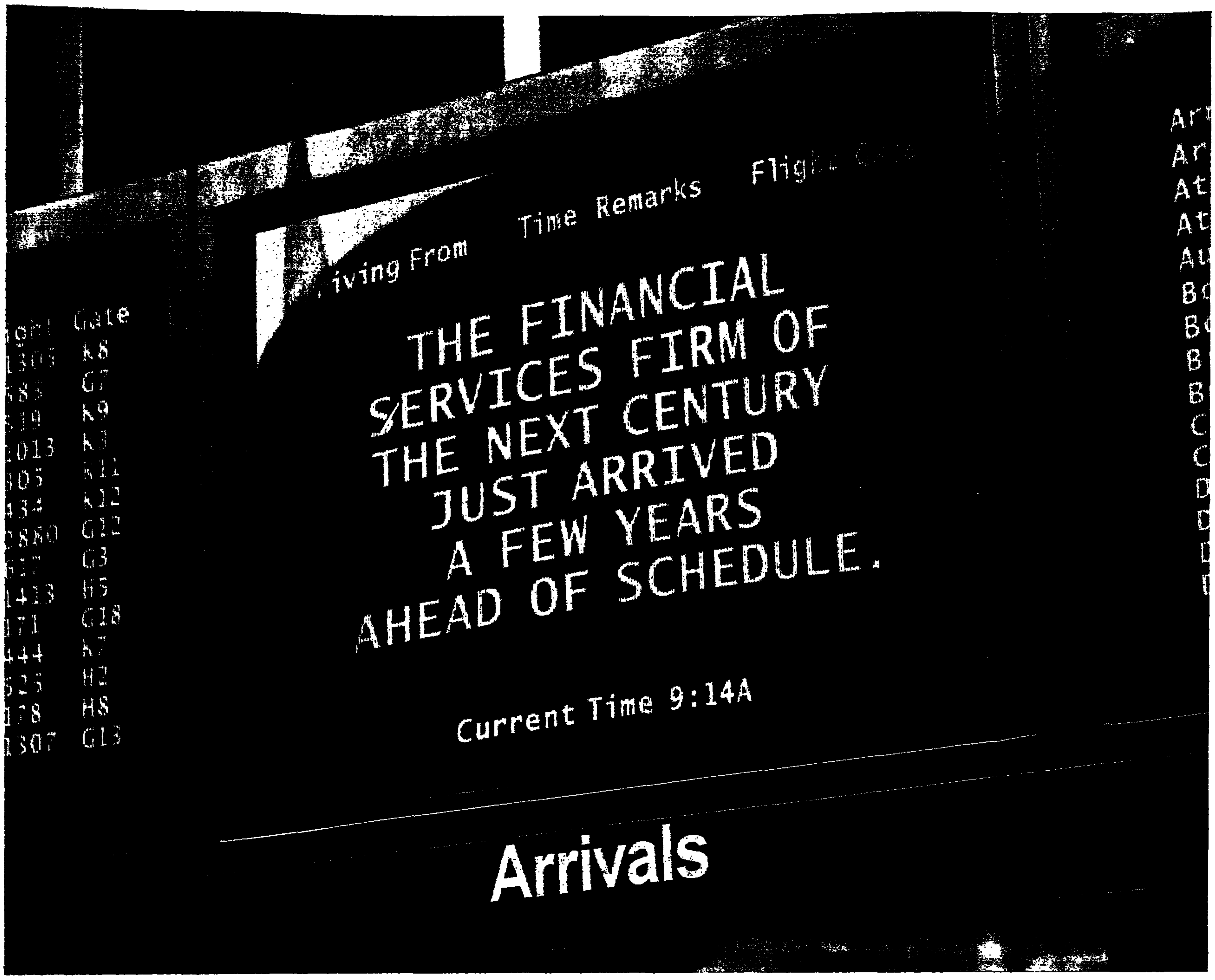
CONTRACTS & TENDERS

The Government of Romania announces the privatisation of the enterprises listed below:

1. PETROMIDIA NAVODARI
2. TRACTORUL UTB
3. VEGA PRAHOVA
4. COVTEX CISNADIE
5. IMGB
6. RAFO ONESTI
7. FEROM TULCEA
8. AMPELLUM ZLATNA
9. SOLVENTUL TIMISOARA
10. FERTILCHIM NAVODARI
11. ROMPLUMB NAVODARI
12. TERMOROM CLUJ
13. CRISTIROBISTRITA
14. STEAUA ROMANA PLOIESTI
15. UMARO ROMAN
16. STIPO DOROHOI
17. ROMAN BRASOV
18. MELANA SAVINESTI
19. ROMFOSFOCHIM
20. MOLDOSIN VASLUI
21. UPETROM PLOIESTI
22. REPUBLICA BUCURESTI
23. PHOENIX BAIA MARE
24. PROMEX BRAILA
25. UPET TARGOVISTE
26. POLIROM ROMAN
27. FORTUS IASI
28. IAIFO-ARMATURA ZALAU
29. ZAHAR ARAD
30. SPLAI SOC. DE PRELUCRARE A CARNII
31. ZAHARUL DRAGANESTI-OLT
32. GLINCARN
33. GLINA

The State Ownership Fund is the exclusive authorised institution involved in the completion of these transactions. The privatisations will be conducted through international investment banks. Those interested are invited to express their interest and a statement of capability to the State Ownership Fund, International Relations Department, for the attention of **Mr Tudorel Dumitrascu, Mrs Adriana Miron and Mr Tudor Opran. Telephone 222 3899 and Fax: 223 1492, no later than 04.06.1997.**

هكذا صنع الأصول



Prime minister will set out plans for tackling the problems of 'the workless class'

Labour initiatives aim to boost industry

By George Parker, Political Correspondent

The government will this week attempt to maintain the momentum of its first month in office, with new initiatives to improve the performance of British industry and to tackle unemployment.

Mrs Margaret Beckett, trade secretary, will set out plans to consult groups of business leaders on ways to improve Britain's competitiveness.

Mr Tony Blair, prime minister, will today set out his plans for tackling the problems of "the workless class" in a speech on a south London housing estate.

And Mr Gordon Brown, chancellor of the exchequer, will announce the date for his first Budget, which will establish a windfall tax on the privatised utilities to fund a welfare-to-work scheme for young people. It is expected to be held in the first week of July – probably Tuesday July 1 or Wednesday July 2.

Mrs Beckett will tell a business audience on Wednesday she sees competitiveness as the focus of all activity by the Department of Trade and Industry. She will propose the creation of industry groups to advise on ways to improve the performance of British companies. Membership would be expected to include leaders from business, industry and the trade unions.

Officials close to Mrs Beckett are anxious to play down comparisons with the National Economic Development Council. Known as Neddy, this corporatist economic forum, which brought together unions and business leaders, was wound up in 1992.

One official said the new bodies would be "light and flexible" and would represent the government's approach to a partnership approach with industry. Subgroups would be set up to focus on particular aspects of industrial policy.

At the heart of Mr Blair's proposals will be a scheme to encourage about 800,000 jobless single parents to go out to work. In his first setpiece speech since the election, the prime minister will urge single mothers to go for interviews at Jobcentres to find out about training and job opportunities and about local childcare facilities.

He will also urge UK computer companies to follow the example of the "net days", a US innovation where companies donate a day to wiring up local schools and community centres to the internet. This opens up the prospect of single parents working while their children study or play.

Ms Harriet Harman, social security secretary, believes single mothers will be "falling over themselves" to take up work if childcare facilities and training were available. She opposes any element of compulsion to go out to work.

However Mr Frank Field, the minister for welfare reform, is understood to believe benefits should be docked from single parents with children at school who refuse offers of training or work.

Head of minimum wage unit appointed

By Robert Taylor, Employment Editor

Professor George Bain, principal of the London Business School, will be officially appointed today as the first chairman of the government's Low Pay Commission, which will advise on the figure for a statutory national minimum wage.

The announcement, to be made by Mrs Margaret Beckett, trade and industry secretary, was welcomed yesterday by trade unions and business organisations.

Professor Bain has secured a widespread reputation across industry for his professionalism and impartiality after nearly 30 years of distinguished work in academia and public policy.

The commission is to be made up of representatives from employer bodies, particularly in industrial sectors where low pay is a problem, trade unions and independent bodies. The government will make the final decision on what the minimum wage will be. However, the commission will exercise a substantial influence over the approved figure.

Many trade union leaders had been concerned that the government might appoint a leading business figure unsympathetic to the level of national minimum wage that they wanted.

Privately, many of them have expressed their dismay at Mr Tony Blair's decision to appoint Mr Martin Taylor, chief executive of Barclays Bank, to head the government's task force for reforming the tax and benefit system.

However, admirers were keen to stress yesterday that while Professor Bain may have the confidence of the trade unions he will be no push-over for trade union leaders.

It was his work chairing the recent commission on public policy and British business that won the admiration of the Prime Minister for the way in which he was able to reconcile the different range of opinions behind an agreed agenda that included a commitment to a national minimum wage. A series of reports are to be published today by the independent Employment Studies Institute which set out many of the leading problems that will face Professor Bain's commission. These include:

- The minimum wage could have an adverse effect on pay differentials, especially in the public services sector. The report urges the low pay commission to give a high priority to finding out the knock-on effects of the minimum wage rate.
- A fixed minimum wage rate formula updated annually and linked to inflation trends would be inflexible. Any minimum wage must be co-ordinated with an uprating in benefits if it is to have a positive effect on poverty.
- Any minimum wage rate above £3.50 an hour would cause job losses.
- The best moment to introduce the minimum rate would be at the end of the annual wage round in June and not at the start or half way through because this might affect the wider pay negotiations.

George Bain

Transmitter sale helps BBC to amass £500m

By Raymond Snoddy

The BBC will reveal next month that it has amassed an unprecedented cash mountain of £500m ($815m), the largest in its history, following the £244m sale of its UK transmitter systems and other savings of more than £100m.

The strong balance sheet, which will be disclosed when the BBC's annual report is published, marks a transformation in the corporation's financial position since the early 1990s, when it approached its then borrowing limit of £200m.

The corporation eliminated its borrowings before the start of the current licence period in April 1996, following encouragement from the former Conservative government. Mr Rodney Baker-Bates, the BBC's director of finance and information technology, reported last year that borrowings had been reduced to £35m, compared with gross licence fee income of £1.82bn.

The main element in the BBC's cash pile is £244m obtained from the sale of the transmitter system to Castle Tower Communications of the US. The other factors are savings of £100m, and £150m from advanced licence fee payments.

Most of the money has been earmarked for the development of digital television services to be introduced over the next 12 months. The digital bill this year is expected to be about £285m including both the capital costs of introducing digital editing equipment and the cost of launching new channels such as a 24-hour digital television news service.

Editors have already been hired for the digital news service and work on dummy programmes is due to begin soon. It is costing an estimated £30m to set up the television channel and running costs are likely to be between £10m and £12m a year.

It is not clear, however, when there will be an audience for the service. British Sky Broadcasting, the satellite venture, has postponed its digital launch until next spring and the cable companies may follow suit.

Commercial digital terrestrial broadcasts are supposed to begin by July 1998 at the latest but it is far from clear how much equipment will be available in the shops by then.

Last year the BBC asked for greater freedom to borrow against its commercial assets in order to fund the move into digital.

Instead the corporation agreed a deal under which it would accept the privatisation of its transmitter network in return for being able to keep the proceeds of the sale of the UK transmitters.

The BBC is planning to launch about a dozen new digital channels or services, about half of which will be paid for by the licence fee and available to all licence payers with digital receiving equipment.

The rest are being developed in a joint venture with Flextech, the US company which already runs a large number of cable and satellite channels.

Blair under pressure over political jobs

Constitutional experts warn that a Labour ally should not get a top job

Mr Tony Blair, the prime minister, faces mounting pressure from constitutional experts and civil servants to reconsider appointing one of his close political allies to a senior government post.

With the government already under attack from the Conservatives over the number of outside political advisers, questions are being raised about whether the prime minister should be allowed to appoint Mr Jonathan Powell as principal private secretary.

Although Mr Powell had a distinguished career as a diplomat, he allied himself to Labour three years ago by becoming chief of staff to Mr Blair, then leader of the opposition.

Professor Peter Hennessy of the University of London – arguably the leading independent expert on the workings of the government machine – warns that the appointment would be unwise. "It is vital that this post is occupied by a thoroughly independent figure and not by some wholly politicised satrap," he says, describing the prime minister's private office as "the junction box for the entire civil service at number 10".

"The private secretary is the PM's constitutional chief of staff," he adds. "The office holder is responsible for handling all security intelligence, advice on the honours list and dealings with Buckingham Palace. You must have a disinterested civil servant in such a post."

Concern about the post coincides with a second issue on the minds of civil service watchers: the number of publicly-funded political appointees who now work in the government.

For the past three decades, incoming cabinet ministers have had the right to appoint "special advisers" to their departments. They are classed as "temporary civil servants" and their salaries are based on the pay they received in the private sector.

The main allegation against the new administration is that too many of these advisers have been brought in.

The previous government had between 30 and 35 special advisers.

Although the Blair administration has not yet produced a final list, opposition MPs believe there may now be up to 60 appointees. Mr Jonathan Hill, a former political secretary to Mr John Major, the former prime minister, claims that there had been just five appointees to the Downing Street Policy Unit under the previous administration – and that there are now 12.

Although there were no outside political appointees to the Downing Street office under Mr Major, there are now at least three.

An expansion also seems to have occurred at the office of Mr Gordon Brown, chancellor of the exchequer. Recent Conservative chancellors had two – and sometimes three – special advisers at the Treasury. There are now thought to be five appointees, one of which may be unsalaried.

One of these advisers has claimed "civil servants like us being here because it avoids the problem of them being involved in political work".

Prof Hennessy believes: "Special advisers are little more than comfort blankets for ministers who lack the self-confidence to think for themselves."

James Blitz
George Parker

Editorial Comment, Page 21

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

TODAY
American Port Services 1.36p
Astra Cia Argentina de Petroleo 11⅝% Nts Dec 1999 $290.625
BTR 7p
BWI 3p
Barclays Bank Non-Cm US$ Pf Ser C1 $0.4219
Do Ser C2 $0.1406
Do Ser D1 $0.4313
Do Ser D2 $0.1437
Do Ser C Units $0.5625
Do Ser D Units $0.575
British Aerospace 9.375p
Caradon Cv Rd Pf 3.625p
Cassell 3p
City Centre Restaurants 2.05p
DCS 0.75p
Dalgety 8.5p
Fleming Claverhouse Inv Tst 1.45p
Ford $0.42
Gardner (L) 2.3p
Glaxo Wellcome 6¾% Nts 2000 $67.50
Grand Met Fin 9% Bd May 2005 £90.0
Halifax Bldg Scty Fxd/FRN 1997 £1000.0
Highland Distilleries 2.1p
Inco $0.10
Ingersoll-Rand $0.205
Ladbroke 3.8p
Lavendon 1.13p
Legal & General 7.63p
Lloyds Bank 9½% Sb Bd 2009 £95.0
MICE 0.11p
Nash (Wm) 4.9p
Northern Leisure 2.5p
Ocean 10.2p
Premiere 4p
RMC 18.7p
Ruberoid 4.2p
Sanwa Fin Aruba Gtd Sb Perp FRN Ser 4 $794.87
Telspec 0.1p
TR Smaller Co's Inv Tst 4½% Cm Pf 1.575p
Do 10½% Db 2016 £5.25
Union Carbide $0.1875
Wilson (Connolly) 3.44p

TOMORROW
Asarco $0.20
Brooks Service 2.3p
Chichibu Onoda Cement 5¾% Bd 1997 Y575000.0
Clinton Cards 4.3p
Gartmore Smaller Co's Tst 1.5p
Guinness Flight Venture Cap Tst 1.1p
Hafslund A NKr1.0
Do B NKr1.0
Kvaerner B NKr6.5
Mitsui Toatsu Chems 7¼% Bd 1998 Y725000.0
Murray VCT 1p
Panther Sec 3.25p
Sentry Farming 5.1p
Smithkline Beecham Cap Gtd Nts 1998 £77.50
Sumitomo Heavy Inds 3.4% Nts 1998 Y340000.0
Total B FFr15.75
VCI 5.5p
Warner Howard 6.75p

WEDNESDAY JUNE 4
Carr's Milling 3p
Dickie (James) 2.31p
Export-Import Bank of Japan 8% Gtd Bd 2000 $65.0
Halstead (James) 3.5p
Lloyds Bank Sb FRN 1999 £17.33
NT & T 8¾% Nts 1997 Ecu87.50
Prudential Fin 9⅝% Gtd Bd 2007 £468.75
Rexam 8p
Senior Eng 2.38p
Swan Hill 1.5p
Vymura 3.4p
Wescol 0.4p

THURSDAY JUNE 5
Cussins Property 2.65p
Gillette $0.215
Govett Strategic Inv Tst 2.94p
Hamleys 6p
Hardy Oil & Gas 1p
Midland Independent Newspapers 2.5p
PSIT 2.5p
Pemberstone 2p
Princedale 0.7p
Sanwa Fin Aruba Gtd Step-up FRN Sep 2002 $764.26
Tokyo Elec Power 11% Nts 2001 £110.0

FRIDAY JUNE 6
Aberforth Split Level Tst 2.25p
Do Units 2.25p
Anglo American Gold Inv R7.55
Anglo Am Inv Tst R4.90
Boot (Henry) 5.9p
Bostrom 4.1p
EW Fact 1.1p
Foreign & Colonial Smaller Co's 1.72p
Glynwed Int 8.35p
Govett High Inc Inv Tst 1.12p
Halifax Bldg Scty FRN 1999 £157.53
Jerome (S) 2p
Jupiter Extra Inc Tst 1.96875p
Laird 8.1p
New Central Witwatersrand R1.19
Pegasus 5p
Royal Doulton 7.4p
Sharpe & Fisher 3.9p
Smiths Inds 6.15p

SATURDAY JUNE 7
Housing Assoc Fdg 8¼% Sec Ln-Bckd Nts Jun 2027 £262.19
P & O Prop 7½% 1st Mtg Db 1997/2002 £3.75
Treasury 7% 2002 £3.5288
Treasury 7¼% 2007 £2.5623
Treasury 7½% 2006 £3.75
Treasury 8½% 2005 £4.25

SUNDAY JUNE 8
Reed Int 5% Cm Pf 1.75p
Do 7% Cm Pf 2.45p
Wessex Water Fltg Rate Cm Rd Pf 2.65p

UK COMPANIES

TODAY
COMPANY MEETINGS:
Anglo-Eastern Plantations, 1, St Pauls Churchyard, E.C., 11.00
Perry Group, Institute of Directors, 116, Pall Mall, S.W., 12.00
Proudfoot, 26, Finsbury Square, E.C., 10.00
Sentry Farming, Moundsmere Estate, Moundsmere, Basingstoke, Hampshire, 11.00
BOARD MEETINGS:
Finals:
Filofax
Lanica Tst
Northumbrian Fine Foods
600 Grp
South Staffs Water
Wyndeham Press
Interims:
Murray Emerging Economies
SDX Business Systems

TOMORROW
COMPANY MEETINGS:
Cussins Property, Northern Counties Club, Hood Street, Newcastle, 11.45
Derwent Valley, Durrants Hotel, George Street, W., 10.30
Jacks (William), London Road, Sunningdale, Berkshire, 12.00
Singer & Friedlander, 21, New Street, Bishopsgate, E.C., 12.30
Swan Hill Group, Howard Hotel, Temple Place, W.C., 12.00
BOARD MEETINGS:
Finals:
Belhaven Brewery
Dairy Crest
De La Rue
National Grid
Racal Elec
Vodafone
Interims:
Apollo Metals
Crabtree
Hawtin
MEPC
Toy Options

WEDNESDAY JUNE 4
COMPANY MEETINGS:
Bentalls, Guildhall, Kingston-Upon-Thames, Surrey, 11.00
Caird Group, 135, Bishopsgate, E.C., 10.00
Frost Group, The Brewery, Chiswell Street, E.C., 11.00
Gieves Group, English Speaking Union, Dartmouth HOuse, 37, Charles Street, W., 12.00
Havelock Europa, Mossway, Hillend Industrial Park, Dalgety Bay, Fife, 12.00
Hopkinsons Group, Copthorne Hotel, Clippers Quay, Salford Quays, Manchester, 12.00
London & Associated Properties, 8-10, New Fetter Lane, E.C., 12.00
TrafficMaster, Marlborough Court, Sunrise Parkway, Linford Wood, Milton Keynes, 11.00
BOARD MEETINGS:
Finals:
Allied Colloids
British Energy
Caffyns
Dunedin Enterprise
Powerscreen Int
Readicut
Shanks & McEwan
Southern Elec
Interims:
Blick
Greencore
Heals
NFC
Warner Estates

THURSDAY JUNE 5
COMPANY MEETINGS:
Austin Reed, 16-21, Sackville Street, W., 12.00
Ayrshire Metal Products, Church Street, Irvine, Ayrshire, 12.00
Dencora, Waveney House Hotel, Puddingmoor, Beccles, Suffolk, 12.00
El Oro Mining & Expln, 41, Cheval Place, S.W., 12.10
Exploration Co., 41, Cheval Place, S.W., 12.00
Headlam, The Belfry, Lichfield Road, Wishaw, Waricks., 11.30
Hewden Stuart, Glasgow Concert Hall, Glasgow, 12.00
JBA Hldgs, Swallow Hotel, 12, Hagley Road, Fiveways, Birmingham, 10.00
Laser-Scan, 101, Cambridge Science Park, Milton Road, Cambridge, 10.30
Linton Park, Royal Overseas League, Overseas House, Park Place, St James Street, S.W., 12.00
Tilbury Douglas, Barber Surgeons' Hall, Monkwell Square, E.C., 10.00
BOARD MEETINGS:
Finals:
Airsprung Furniture
Avesco
Boots
Hambro Insurance
Pilkington
Powell Duffryn
Railtrack
3i
Interims:
Bradstock

FRIDAY JUNE 6
COMPANY MEETINGS:
Martin Intl Hldgs, Swallow Hotel, Carter Lane East, South Normanton, Derbyshire, 12.15
Taylor Woodrow, Telford Theatre, One Great George Street, Westminster, S.W., 11.30
Tesco, Royal Lancaster Hotel, Lancaster Gate, W., 11.00
BOARD MEETINGS:
Finals:
Park Food

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results. This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent annoucements.

Côte d'Ivoire

Political and economic stability is attracting investors to what is a remarkable exception in a region usually associated with misery and decay, says **Antony Goldman**

Committed to strong ambition

Côte d'Ivoire, or the Ivory Coast as it is also known, is a small country with big ambitions. An elected civilian government, as confident of its support across the country as it is in its ability to create the African equivalent of an Asian tiger economy, has inspired even the most cynical donors and the *most cautious investors.*

Where problems exist, they are largely on the horizon. *Immigrants – nearly* one third of the population of 15m – are all too aware that there has never been a coup, civil war, ethnic strife or famine in 37 years of independence. There are good roads, schools and clinics. The telephones work and power cuts are rare. Agriculture is booming and new resources are being exploited.

Even opposition parties concede that things could be much worse. Disparaging voices used to regard the Ivory Coast enviously, but with derision, as a cocoa *republic clinging so tightly* to the apron strings of France, the former colonial *power, that its independence* seemed little more than a constitutional sleight of hand.

In spite of the continuing presence in the country of several hundred French troops, it is an image now at odds with the changing times in Abidjan, and one wearily rejected by senior officials. "We are nobody's backyard," says Mr Amara Essy, the foreign minister. "We need new partners to develop new sectors."

Once-frosty relations in west Africa are beginning to warm. Recent co-operation with Nigeria, the regional superpower, over efforts to bring peace to Sierra Leone and Liberia have been unprecedented. Three hundred thousand refugees from Liberia have been accommodated – not in dehumanising camps, *but integrated into* existing towns and communities along the border.

Even with neighbouring Ghana, a competitor for most of the country's markets, the talk is of partnership, not confrontation.

While Mr Felix Houphouet-Boigny, who ruled from 1960 until his death three-and-a-half years ago, served as a government minister in France during the fourth republic, a new generation emerging into positions of influence is now as likely to have studied in Washington as Paris.

Britain takes the new opportunities so seriously that later this year it will *stage its first trade fair in* the country for a decade.

"Twenty years down the *road," says one of the most* senior advisers of Mr Henri Konan-Bedie, Mr Houphouet's successor, "we want to be an economy visible on the world stage, its size multiplied several times over; for the average Ivoirien to have a better standard of living, improved health care and education; to have an open and democratic society in which initiative thrives."

In pursuit of that ambition the head of state has embraced economic reform with a vigour all the more remarkable for the caution he displayed during his years as finance minister.

Water, electricity, railways and telecoms have already been privatised. Further offers for the national refinery, *textiles, transport,* sugar and other companies are in the pipeline.

Macro-economic policy draws warm praise from the World Bank and the International Monetary Fund. They see the Ivory Coast as the country which benefited most from the 1994 50 per cent devaluation of the CFA franc, the currency of the 13-member west and central African common currency zone. Growth of 7 per cent from an already healthy base is expected for the third consecutive year, while inflation is low.

Sustainability, however, is the critical issue. The country remains excessively dependent on cocoa and coffee, commodities all too vulnerable to the vagaries of *the International market.* Debt is a huge problem, with efforts to secure concessional relief *complicated* by relative economic success.

Domestic savings ratios are low. The benefits of devaluation have mostly been absorbed and windfall gains from privatisation exaggerate the improvement in public finances.

While the human resource base is excellent by regional standards, labour costs are high. There are grumbles about transparency, particularly among those who have gained less from the liberalisation process than they might have hoped.

But officials point to developments in the minerals and energy sectors, as well as efforts to diversify agriculture and promote industrialisation. A planned regional stock exchange based in Abidjan is also attracting interest from emerging markets fund managers.

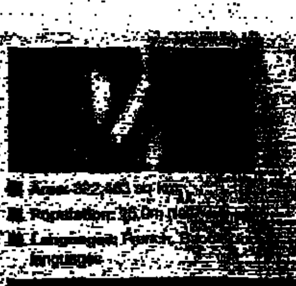
Political stability, however, may be the Ivory Coast's trump card for *attracting investment ahead* of others in a turbulent continent. Methods used by Mr Bedie *to secure his position* after the death of President Houphouet raised concerns about a new, less sure style of government. Two years of economic growth, however, appear to have cooled political tempers that had provoked a degree of violence which shocked the nation during the 1995 presidential elections.

The administration is now so technocratic that room for political manoeuvre or controversy is distinctly limited.

There is concern, however, that development may prove unequal, and that income disparities could start to undermine half a century of political cohesion and social tolerance.

Already, the government has introduced draconian security measures to tackle a sharp rise in violent crime in Abidjan and elsewhere. The population is growing at nearly 4 per cent a year, which could create political *tension and stir a xenophobic* reaction against immigrants, if the authorities fail *to alleviate poverty.*

For 30 years, the Ivory Coast thrived as an agricultural commodity producer with a less than cosmopolitan outlook. Now its leaders say that, like the four legs of its national symbol the elephant, they intend to build a substantial future on firm foundations. In a blighted region, it is a challenge many donors hope can be realised and to which outside investors are already contributing.

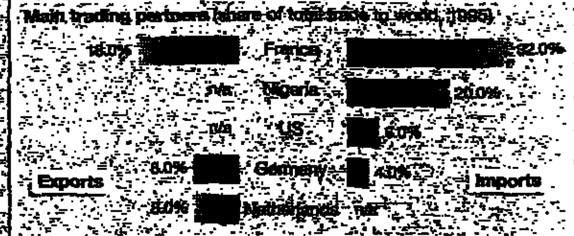


Abidjan 2,500,000
Currency CFA franc (CFA Fr)
Exchange rate: 1996 average $1 = CFA Fr 510.85
May 27 1997 CFA Fr 573.50
Head of state: President Henri Konan-Bedie
Languages: French, ... languages
Prime minister: Daniel Kablan Duncan

Economic summary

	1996 Estimate	1997 Forecast	1998 Forecast
Total GDP ($bn)	10.9	n/a	n/a
Real GDP growth (annual % change)	6.8	6.5	6.5
GDP per head ($)	748	n/a	n/a
Inflation (annual % change in CPI)	4.5	3.5	3.0
Reserves minus gold ($m)	621.5	n/a	n/a
Total external debt (% of GDP)	141.3	n/a	n/a
Total external debt ($bn)	19.4	n/a	n/a
Current account balance ($m)	150	300	400
Merchandise exports ($bn)	4.45	4.40	4.55
Merchandise imports ($bn)	2.52	2.65	2.85
Trade balance ($bn)	1.93	1.75	1.70
Coffee production ('000 tonnes)	186.4	269.7	n/a
Cocoa production ('000 tonnes)	1,019.8	950.0	n/a

Main trading partners (share of total trade to world, 1995)



Abidjan: no longer the capital, the city remains the main commercial centre *Anthony Morland*

ECONOMY • by David Buchan

The tiger economy of Africa

A combination of policy changes have pulled the country into strong growth

"The capacity of Ivory Coast to grow is much greater than people think," says the prime minister Daniel Kablan Duncan. "But it needs to be," he adds. "We must aim for double-digit growth to put us on a higher plane of development."

Through a combination of policy changes in devaluing the currency and accelerating privatisation, of social discipline in mastering inflation and of good luck with the rise in world commodity prices, the Ivory Coast has lifted itself out of the spiral of debt and depression and created an economic boom.

But the country has much ground to make up, and factors ranging from a high birth rate to a heavy external debt burden will make further progress a hard slog.

The turnaround for the Ivory Coast and many fellow francophone African countries came with the 50 per cent devaluation in January 1994 of their common currency, the CFA franc, to equal 1 French centime instead of the 2 French centimes at which it had been set for more than 40 years.

At a stroke, this parity change restored the international competitiveness of the agricultural commodities that account for 60 per cent of the country's export earnings. It put money back into the pockets of peasants, who began to spend their gains on locally-produced consumer goods and made it harder for civil servants in the towns to indulge their taste for imported luxuries. It put an end to the absurdity of importing beef from Europe rather than fellow CFA members such as Mali and Burkina Faso, and stimulated food exports to neighbours such as Ghana lying outside the CFA zone.

Other factors combined to make the devaluation a textbook success. Ivorian exports capitalised on the happy coincidence that over 1993-94 the world price of coffee quadrupled and that of cocoa tripled.

The Ivorian authorities also made good use of the devaluation. They made no attempt to compensate city-dwellers for the loss in their purchasing power. The CFA arrangements, which make the CFA money supply a matter for all CFA members and the Bank of France to decide, would in any case have prevented the Ivory Coast from trying to "solve" its problem unilaterally by simply printing more notes. But the effect of government discipline has been to reduce the civil service wage bill from 12 per cent to 7 per cent of GDP.

Thus, the country avoided the pitfall of a big devaluation – soaring inflation. The overnight 50 per cent rise in the cost of most imports pushed the price index up by 32 per cent in 1994. But as consumption moved from the cities to the countryside and from imported to local goods, inflation dropped to 7.7 per cent in 1995, and to 3.5 per cent last year.

The very severity of the pre-1994 depression also provided plenty of room for growth without over-heating. Capacity utilisation in the construction sector was only 30 per cent in 1993, and rose to 82 per cent last year, though the price of Abidjan real estate and rents is rising sharply. The result of all this is that:

> The Ivory Coast still faces great difficulty in shouldering its huge foreign debt of $18bn

- The trade surplus expanded from CFA182bn in 1993 to CFA603bn in 1994, and ran at CFA549bn in 1995 and CFA789bn last year.
- The government has run a "primary" balance (receipts minus expenses excluding debt service) – CFA95bn in the red in 1993, but CFA195bn in the black last year.
- After a Biblical seven "lean years" in which the economy contracted by an average of 1 per cent a year between 1987-93, it grew by 1.8 per cent in 1994 and then surged ahead to 7 per cent a year in 1995-96.

Can this improvement can be sustained to give the country seven "fat years"? Mr Kablan Duncan believes it can: "Ivory Coast grew by an average 7 per cent from 1960 to 1980, and we can do it again." He believes growth will be maintained this year and next, while economists forecast a modest drop to 5.5 per cent. But both agree that consumption and exports will contribute less to the growth rate than recently.

Export volumes of commodities are almost as hard to forecast as prices. But Mr Kablan Duncan does not expect much change in revenues, with higher output but sluggish prices for coffee and lower volumes but good prices for cocoa. Output of cocoa is likely to suffer as a result of the government's drive, for environmental reasons, to chase illegal producers out of state-protected forests; if successful – which is unlikely – cocoa output could drop by 120,000 tonnes, according to Mr Alain Gauze, the commodities minister. On the demand side, there is still the threat that the European Union might allow dilution of its chocolate with non-cocoa substitutes.

Everyone agrees the key factor in growth this year will be investment. Fixed investment has already increased from below 9 per cent of GDP in 1993 to about 15 per cent last year, and the government has put in place motives and mechanisms for attracting foreign investment. (see box).

Some of this investment has brought, or will bring over the medium term, an expansion of capacity. But in the short term, most of the foreign investment constitutes just a change of ownership or management of existing Ivorian assets.

While private financing – by foreigners or Ivorians – of infrastructure frees government funds for other needs, government receipts from privatisation are not a recurring source of income.

So the Ivory Coast still faces great difficulty in shouldering its huge foreign debt of $18bn, by far the biggest constraint on its development. Of this, $7.2bn is owed to commercial banks, more than $5bn to the Paris club of government creditors and more than $4bn to international financial institutions, mainly the World Bank and the African Development Bank.

To the extent that the Ivory Coast has been servicing this debt – in the case of commercial bank debt, not since 1987 – interest and principal repayments still gobble up 51 per cent of total government receipts, even though this is far better than the 84 per cent share of government revenue they consumed in 1993.

For a middle to low income country, the striking features of the Ivory Coast's debt is the relatively large proportions owed to commercial banks who continued to lend well after the country's commodity receipts collapsed in the early '80s, and to the World Bank and ADB, which continued to lend at commercial rates even after the Ivory Coast's 1987 default on commercial debt service.

Partly because it has a bad conscience about its ill-advised lending to the Ivory Coast in the late 1980s, the World Bank along with the International Monetary Fund has earmarked the country as one of four initial recipients for debt relief.

This has stirred some controversy in the World Bank board, where it has been objected that debt service is a considerably smaller share of exports for the Ivory Coast than for the three other, more closed, economies. But proponents of Ivory Coast debt relief, notably France, say the country's debt is high, when measured against government receipts.

Forgiveness of a part of its World Bank and ADB debt could put Ivory Coast on the road to lasting recovery. Last November it did a deal with the London Club of commercial banks, by which it would buy back 30 per cent of the debt at 24 cents in the dollar, and issue long-term bonds at a much discounted value of the remaining 70 per cent of the debt. If approved by all the banks, this could cut the country's commercial bank debt to about $1.4bn-$1.5bn. It also stands to get debt relief, of up to two thirds, from the Paris club. If all this were to fall into place, the Ivory Coast could at last start to make real headway.

Pulling in the foreigners

Incentives include:

- The far-reaching privatisation programme which has put or intends to put into private hands most utilities (water, electricity, telecoms), most forms of transport (rail, bus and eventually air) as well as a range of productive enterprises.
- An initiative to get private finance or management into 12 infrastructure projects, ranging from toll highways and bridges, modernisation of Abidjan airport, to the construction of a new power station and an abattoir.
- A series of awards of concessions for gold and nickel mining, chiefly to French and Canadian companies, and for deep-water petroleum exploration, principally to US oil companies.
- A five-year tax holiday for foreigners who are investing in the refining of cocoa, an incentive to which Cargill of the US and two French companies – Choc'Arbin and Touton in conjunction with the Ivorian group of Octide – have responded by undertaking to set up processing plants in the country.

PRIVATISATION • by David Buchan

High on the state agenda

After a shaky start, the programme has become central to economic policy

The Ivory Coast has become a world leader in privatisation. After a hesitant start in 1991, when the electricity company was privatised in conditions of less than total transparency, the transfer of state assets into private ownership or private management has gathered pace. Some 40 enterprises – ranging from telecoms, railways, palm oil and rubber to hotels – have passed into private hands in bidding procedures rated as open and fair by the World Bank, which plays a supervisory role.

The government, which initially seemed to regard privatisation as something to be endured rather than embraced, has now made it a central tenet of its policies. Mr Daniel Kablan Duncan, the prime minister, says privatisation is designed "to improve the economy's competitiveness by optimising the use of public resources and by encouraging the private sector to grow".

In addition, the receipts have come in handy for the cash-strapped government. Privatisation proceeds rose from a mere CFA Fr6.5bn (£6.9m) in 1994, to CFA Fr32.7bn in 1995 and CFA Fr53.6bn last year. With CFA Fr105bn already in from the sale of 51 per cent in CI-Telecom to France Telecom, the government is well on target to realise its 1997 goal of CFA Fr140bn from additional sales of state hotel, cotton and sugar operations.

Though the proportions vary according to the size of the state stake to be sold off, Mr Nazaire Gounongbe of the Privatisation Committee says the government sells between 35-51 per cent of the equity to a "strategic" shareholder, puts 10-15 per cent on the local bourse, reserves 3-5 per cent for the company's own employees, and keeps 20-30 per cent for itself.

Criteria for awarding control to the strategic shareholder vary according to the nature of the asset being auctioned but Mr Gounongbe says a 70 per cent weighting is generally given to price and 30 per cent to technical considerations. In a show of transparency, bids are now opened in public.

Mr Gounongbe says while the privatisation of CI-Telecom this spring was the "most sensitive" because it was the largest and required preparation starting in 1992, the most successful sale was that last year of Palmindustrie, a palm oil enterprise employing 60,000 that was split up into three regional companies. Consortia, involving Unilever, Belgian and Ivorian companies, payed CFA Fr91bn for Palmindustrie which "we thought would fetch less than CFA Fr50bn", said Mr Gounongbe.

The only state assets for which the government has been unable to find a buyer are certain hotels built in the Houphouet-Boigny era when the annual August independence parade was rotated around cities that constructed a prestige project for the occasion.

By contrast, the government has had no difficulty in interesting investors in hotels on the coast or in Abidjan, where the management of the country's top hotel, Hotel Ivoire, has just been awarded to Intercontinental Hotels and two South African partners.

But the employment consequences of privatisation are mixed. One of the most dramatic improvements has come at Sitarail, a consortia of French, Belgian and Ivorian interests which has taken over the running of the 1,260km rail line from Abidjan to Ougadougou in Burkina Fasso, and multiplied revenue 11 times in just two years. Yet Sitarail has cut to 1,850 the 3,000 employed by the old Ivorian and Burkina national companies. As a new operation, it has had the flexibility to shed labour denied some other buyers or managers of state assets.

Though nominally outside the privatisation programme, the concession to modernise and run Abidjan airport has been given to Aeria consortium, led by the Aeroport de Marseille. The latter is said to be unhappy with the government requirement that it cannot cut the airport workforce.

The strong showing by French interests has led to some carping by foreign rivals that privatisation is rigged in favour of the former colonial power. While there may have been something to this at the outset, since then French successes may have more do with the fact that, with their experience of the country, they take a different view of the risk of doing business in the Ivory Coast.

A more telling criticism of privatisation is that it is simply converting public monopolies into private ones. In some cases, the government has taken precautions. CI-Telecom will, for instance, lose its monopoly right to provide terrestrial phone services in seven years, though its majority shareholder's commitment to quadruple the number of phone lines within five years may put it in an unchallengeable position.

The government argues that competition is impractical in public services in a small country, and could lead to closet cartels just as uncompetitive as outright monopolies. At the same time, however, the pattern of privatisation sales may be planting the seeds of future cartels. A high proportion of state enterprises are ending up in the hands of a small number of buyers – Ivorian groups such as Octide, Sifcom, GIP, and foreign ones such as Unilever, Nestlé, Bollore and Bouygues.

POLITICS • by Antony Goldman

Tracing established lines

The president has worked to give his government a non-partisan image

One of President Henri Konan-Bedie's advisers asks with some pride: "Is there another African country where the elected, civilian cabinet has met every week since independence?"

In a region plagued by military intervention and political instability, the Ivory Coast has an unblemished record in stable, constitutional government, a champion of the cause of western-style economic liberalism for nearly 40 years.

The architect of such success was Mr Felix Houphouet-Boigny, virtually unchallenged as head of state from independence in 1960 until his death three-and-a-half years ago. "The Old Man", as he came to be known, was as charismatic as he was conservative, a populist who maintained close ties with France, the former colonial power, and promoted the policy of "peace and dialogue" which remains at the centre of Ivoirien political culture.

The new leadership in the country has at times found it hard to come to terms with this legacy. Mr Bedie, a former finance minister, for many years ambassador to Washington and Mr Houphouet's designated successor since 1980, came to power at the cost of a damaging split in the ruling Parti Democratique de Côte D'Ivoire (PDCI). His position was further weakened by a deep economic recession.

Elections in 1995, in which Mr Bedie received 95 per cent of the vote, were marked by an opposition boycott, unprecedented street violence and an alleged conspiracy in senior ranks of the military. Two journalists received prison sentences last year for suggesting that the president had brought bad luck to the country's football team.

The indications are that these events represented a temporary wobble rather than any less secure dimension to Ivoirien politics. "It was a difficult transition to accomplish for a man unaccustomed to the centre stage," said a western diplomat in the commercial capital, Abidjan, "but there is little doubt that Bedie is now very much more at ease with his position."

He has few serious rivals. Mr Alassane Ouattara, the former prime minister, has left politics for the calmer waters of the International Monetary Fund after the controversial adoption of stricter nationality statutes made him ineligible for the 1995 presidential contest.

Mr Bedie has worked hard to establish a technocratic, non-partisan image for his party and government – a process which has further taken the heat out of politics. So quiet is the domestic political scene that Mr Daniel Kablan Duncan, the president, his reformist prime minister and other members of the administration are frequently travelling the globe to preach about the new opportunities presented by the country's expanding economy.

Mr Bedie's programme of economic reform has proved so successful that it finds favour even with the opposition, legalised during the push towards multipartyism which swept French-speaking Africa in 1990.

"We recognise the market as the driving force within the economy, and as a consequence, we accept privatisation," says Mr Phillipe Djangone Bi, of the once leftist Front Populaire Ivoirien (FPI). "State-owned enterprises must be handed over to those better equipped to manage them. The difference is that we would have insisted on greater transparency."

Indeed, the opposition's main point of contention with the government rests on its demands for electoral reform. The FPI, the smaller Rassemblement des Republicains – a splinter from the PDCI which backs Mr Ouattara – and others complain that the present system, which left them with just 24 of the 175 seats in the national assembly after elections 18 months ago, does not reflect their popularity.

Continued on page 4

YAMOUSSOUKRO • by David Buchan

A capital city in waiting

The urban centre needs the infrastructure to make it viable for its new role

The Ivory Coast is not the first country to try to create a new capital. Canberra, Islamabad, Brasilia and Abuja are evidence of the desire of Australia, Pakistan, Brazil and Nigeria to move the centres of their governments out of crowded coastal cities into the centre of their countries.

But there is a whimsical quality to the Ivory Coast's decision to shift its political capital from Abidjan to the small town of Yamoussoukro, 250km to the north.

Certainly, Abidjan has its drawbacks. The sprawling coastal metropolis has more than 2m inhabitants. Its geography is complicated by its location round a sea lagoon, and a plan to construct a third bridge across this lagoon will only prove a temporary palliative to growing traffic problems – exacerbated by the police habit of stopping all other cars when President Henri Konan-Bedie's limousine moves around the city.

And Yamoussoukro has distinct advantages. With only 150,000 residents, it is small enough for its expansion to be planned systematically. It is also near enough to the country's centre to represent a better balance between the Islamic north of the country and the Christian south, between northern savannah and southern rain forest.

The Vatican-style colonnaded piazza of Notre Dame de la Paix

But its choice as capital is pure accident, due to the fact that the late President Felix Houphouet-Boigny happened to be born there in 1905. During his long 33-year reign as the country's first president, Mr Houphouet-Boigny lavished ever-increasing attention on his birthplace.

He built the national headquarters of his PDCI political party there, made it the centre for the country's *grandes écoles* for engineers and scientists, and in 1983 Yamoussoukro was officially designated the country's political capital.

At Yamoussoukro, Mr Houphouet-Boigny oversaw the building of a presidential palace, a colossal home for his personal "foundation", Le President hotel and golf-course, and Notre Dame de la Paix, the world's largest basilica. Yet, by 1993, when he died, Yamassoukro was still only a "paper capital". It still is. But, to the general surprise, Mr Bedie, who initially seemed more interested in upgrading his home town of Daoukro, has recently sought to breathe life into the Yamoussoukro project.

Last year, he made its mayor, Mr Jean Konan Banny, "minister-resident" and charged him with the task of "materialising the moral presence of the head of state in the capital". Last December, Mr Bedie brought the warring parties of Sierra Leone together in Yamoussoukro, where he also held his first cabinet meeting of 1997.

Mr Bedie may well have realised that consolidation of his power base in the central Baoulè region would be achieved less ostentatiously but just as effectively by following his predecessor's plan. Officially, the government says it is just sticking to the 1983 decision in building on the assets Yamoussoukro already has.

By far the most striking of these is, of course, the basilica, billed as bigger than St Peter's. This is not strictly true but the cupola, whose internal dimensions alone are 120 metres in height and 90 metres in diameter, is larger than its Roman rival. Designed by Pierre Fakoury, an Ivorian-Lebanese architect, and built in only three years (1986-89), it is a curious mixture of styles. The brilliant stained glass was made in France, with one window depicting Mr Houphouet-Boigny kneeling before Christ.

Outside is a Vatican-style colonnaded plazza. This is as empty as the basilica itself often is and is enhanced by the fact that the town planners have kept other development away from the basilica. As a result of this, Yamoussoukrans tend to go on using their old Catholic cathedral as their regular place of worship.

Another monument in splendid isolation is the presidential palace, set in several hectares of verdure along with a luxury guest house for visiting heads of state and guarded on one side by two lakes, stocked with crocodiles. But perhaps most curious of all is what the head of Yamoussoukro's colleges calls "the *quartier latin* of science and technical studies". Far from the bustle normally associated with "latin quarters", vast deserted roads crossing the 20,000 hectares set aside for the Yamoussoukro of tomorrow lead to these institutes of engineering, science and public works.

Such distances pose a public transport problem, though the roads could serve as back-up for Yamoussoukro's international airport as they are wide enough to take a jumbo jet. They are not, however, wide enough to accommodate national parades and a special Triumphal Avenue – 22km long and 200 metres wide – will cross the future capital.

To say that diplomats are not keen to desert the relatively well-padded comfort of Abidjan for the Spartan skeleton of Yamoussoukro is an understatement. Indeed, some believe it will never be finished. "But they will have to follow the government," says one of Mr Banny's officials confidently.

But Mr Banny's office recognises that even a political and administrative capital needs an economic life of its own, and so it is seeking local and foreign investors for Yamoussoukro. In particular, government officials are promoting the city as a good dispatching point to fly high-value fruit and vegetables to Europe.

AGRICULTURE • by Antony Goldman

An Ivorian bedrock

Farms and plantations employ some 70 per cent of the population

For all the energy with which Abidjan has embraced economic reform, it is no coincidence that the impressive growth rates experienced in the past three years have been achieved against a background of booming world commodity prices.

A rubber plantation: increased investment in the sector has followed recent privatisations — Ron Giling

Commercial agriculture – principally coffee and cocoa, in which it is the world's leading producer – remains the bedrock of the Ivory Coast's economy. The farms and plantations which spread across south and central regions employ about 70 per cent of the population, produce about a third of gross domestic product and more than 60 per cent of foreign exchange earnings.

Cocoa production exceeded 1m tonnes last year, three times that of nearest competitor, Ghana. Exporters say this year's harvest may be nearly as good. While Ivory is the symbol of the country, its soul lies surely in the cocoa pod and coffee bean.

In spite the resurgence of the sector in recent year, donors say further efficiencies can be generated by accelerated reform.

"Producers have not been receiving their fair share," says one official from the World Bank. "We want to see greater transparency in both domestic marketing and export allocation. A more market-orientated system will be of benefit to everyone."

Under the late president Felix Houphouet-Boigny, himself one of the wealthiest cocoa barons in the Ivory Coast, a parastatal agency, the Caisse de Stabilisation et de Soutien des Prix des Productions Agricoles (Caistab) fixed prices for producers and determined quotas for exporters.

Politically well-connected supporters of the system argued that it protected small-scale farmers against fluctuations on the international market. Critics said it was no more than a mechanism for generating a lot of money for government off the backs of producers.

The reformers' opportunity came when the Caistab failed to sustain prices in the face of the sustained wilting of the international market in the late 1980s and early 1990s.

As part of a $150m deal reached with the World Bank in 1995, the domestic market was liberalised. Prices set by Caistab at the beginning of the season became only non-binding guidelines, allowing exporters to deal directly with producers.

In May last year, in a further crucial reform, the export quota system was transformed, with the introduction of electronic auctioning.

Several exporters and some donors believe that opaque political connections continue to play too significant a role in the sector. "We know these reforms threaten very well established and powerful vested interests," says a western diplomat, "but if the Ivory Coast really wants to open up its economy, commodities cannot be exempt".

For its part, the government believes it is right to be cautious with the management of assets which have served the country so well for so long.

"The role of the state is being diminished, and let no one doubt our commitment to greater efficiency and transparency," says Mr Alain Gauze, the minister for raw materials and head of the International Cocoa Organisation. "But we cannot afford to take risks or compromise quality. Too much depends on our commodities."

It is that dependence which causes concern both to foreign creditors and many in government. While some analysts suggest that accelerating industrialisation in south-east Asia will both reduce competition and increase demand for the Ivory Coast's products, few would accept that the cycle of boom and bust which characterised the cocoa and coffee markets for generations has ended.

Anxious reaction in Abidjan and elsewhere to European Union proposals earlier this year to increase the vegetable solids content in chocolate at the expense of cocoa underline the vulnerability facing producers.

The so-called "lost decade" of recession which followed the sharp slump in prices after 1985 has left additional, painful memories.

"We have to be more shock resistant, to reduce our exposure to volatile commodity markets," says one of President Bedie's economic advisers. "Diversification remains one of our greatest challenges."

Since 1994 two significant cocoa-butter processing factories have been built, part of an initiative to promote industrialisation and value added in the sector. At present about 15 per cent of the domestic crop is processed locally, a figure Mr Daniel Kablan Duncan, the prime minister, hopes to increase to 50 per cent by the year 2000.

While exporters regard that target as ambitious, there is consensus that local processing of cocoa butter should rise to at least 300,000 tonnes in three years.

Increased investment in the palm oil and rubber sectors has also followed recent privatisations.

In addition to the government's ambitions to develop non-traditional sectors of the economy, there are question marks over the long-term environmental sustainability of the cocoa and coffee sectors, which has seen production moved steadily westwards, away from the original cultivation areas near the border with Ghana as soil becomes exhausted.

For the time being, however, cocoa promises to be king in the Ivory Coast.

MINERALS AND ENERGY • by Antony Goldman

New sources of wealth

Three years ago electricity was imported, now it is exported using gas-fired turbines

After a generation as a world leader in agricultural commodities, the Ivory Coast is undergoing a quiet revolution to the structure of its economy. Since 1993, and with increasing success, the government in Abidjan has been promoting opportunities in the mineral sector and offshore deposits of oil and gas.

Rewards have been limited. Oil output, which started in 1995, is just 20,000 barrels a day. However, investment in the past five years has already topped $1.5bn and operators are confident of a rapid expansion. Six western oil companies, including the Anglo-Dutch Shell, have signed production sharing agreements with the government, while the French company Elf has shown interest in three deepwater blocks.

"Structures in deep water are definitely there," says Mr Damien de Gheldere, vice-president of United Meridian International Corporation. "And there could be reserves of three or four billion barrels. The industry here could be transformed."

Rear Admiral Mohammed Lamine Fadika, the Minister for Mining and Petroleum Resources, has set a target of 100,000 b/d in the next three years. Wary of the economic dependence of others in the region on oil, the government says it is anxious to use the expansion of the hydrocarbons sector as a catalyst for growth elsewhere in the economy.

"Three years ago we were importing electricity from Ghana," Admiral Fadika says. "Now turbines powered by our own gas are helping us to export electricity, not only to Ghana but also to Togo and Benin. Cheap energy helps us promote the agro-industrial sector – Nestlé and Unicao want to use gas at cocoa butter processing plants – while gas will also be used to make fertilisers and for the chemical reduction of our minerals.

"We also plan to build a liquefied petroleum gas plant. Butane from there will begin to replace charcoal for domestic energy requirements in rural areas, thus easing environmental pressures."

The administration cites proposals for the expansion and privatisation of the country's oil refinery as further evidence of its determination to secure long-term benefit from the new exploitation of new-renewable resources.

In April Mr Daniel Kablan Duncan, the prime minister, visited Rotterdam as part of efforts to promote to interest in the Abidjan facility, which the government would like to see privatised as part of a $2bn programme to increase output from 3m tonnes to 10m tonnes of refined products by 2005.

Officials speak of expanding exports from the sub-region to other parts of Africa and even across the Atlantic. The government's hopes for oil and gas are matched by its optimism over developments in the mineral sector. Gold production has doubled to about 2,000kg a year since 1990. Fifty five new exploration contracts for gold have been issued to companies from around the world, including South African groups Anglo-American and Gencor.

There is considerable interest in deposits of nickel, bauxite and iron ore. "We always knew our country was rich in minerals and hydrocarbons," says Admiral Fadika. "But until the end of the '80s President Houphouet-Boigny pursued an agriculture-first development strategy. He was concerned about the negative impact easy money might have on the population. Now, however, the Ivory Coast is more mature, with an economy less likely to be distorted by the development of these sectors."

In an increasingly competitive global environment, the government has introduced incentives to attract investment which even operators regard as generous. "We receive handsome tax breaks and duty exemptions," says Mr Hadi Boustani, director of Aurore, one of the smaller mining groups in the gold sector, "and this is an altogether more straightforward place to do business than many places in the region."

Lagging far behind not only commercial agriculture but also manufacturing and industry in terms of contribution to GDP, the minerals and energy sectors remain a good prospect for the future. Even at the energy ministry, officials robustly defend the role played by cocoa and coffee in the economy, insisting that revenue generated from oil and mining must be used to help promote an ever more productive and modern farming sector.

However, the authorities are also convinced that the excitement aroused by the potential for growth in non-traditional sectors is enough to justify putting these sectores at the heart of the Ivory Coast development planning.

THE BOURSE • by David Buchan

Investors take note

Abidjan could provide a unified financial market for francophone west Africa

Every morning, from 9-10am, the Abidjan Bourse swings into action. On Tuesday and Thursday shares are traded and on Wednesday and Friday bonds are traded. Monday is devoted to settling the previous week's trades by the six authorised dealers.

It is never going to be one of the world's great stock exchanges. But privatisation has given a powerful boost to the Bourse des Valeurs d'Abidjan (BVA), which hopes to become the regional exchange for francophone west Africa.

Created in 1976, the bourse started well, says Mr Emmanuell Diarra of the BVA, but was hit by the 1980s commodity crisis. It revived in the early 1990s, gaining 12 new quotations through privatisation to bring the total to 33. In theory it has a market capitalisation of about $1bn, although only a fraction of the shares of the bigger companies quoted on it would ever pass through the BVA.

Mr Diarra admits "there is still a hesitation by companies to come to the BVA, and an ignorance about the way it works" – let alone on the part of individual investors. But sometimes an issue sparks real interest. Last year's floatation of some of the equity in the SIVOM port maintenance authority was over-subscribed by 57 per cent, although two thirds of individual investors were SIVOM employees.

The BVA has even fewer bond issues – a joint issue by the local subsidiaries of the French banks, BNP and Société Générale, a Benin issue, and two by the West African Development Bank.

But there are plans in UEMOA, the organisation for economic and monetary union in francophone west Africa, to give the BVA a regional role in creating "a unified financial market", as Mr Diarra puts it. Traders in Ivory Coast's six UEMOA partners would be linked by computer to the BVA in Abidjan.

INTERVIEW • by Antony Goldman

'We have come a long way'

President Henri Konan-Bedie talks about the prospects for his country

When President Henri Konan-Bedie succeeded the late Felix Houphouet-Boigny in 1993 one report suggested he might be "too small for his boots". But since being elected to a five-year term in 1995 he has emerged from the shadow of his predecessor and appears increasingly comfortable with the mantle of office.

● With consumption unlikely to increase this year, are Ivorians becoming impatient? And how great a strain is the foreign debt?

Our economy is based on agriculture, and the export receipts from coffee, cocoa, palm oil and cotton weigh heavily in our accounts. The prices of these raw materials are fairly erratic on the world market.

We are at present on a good plateau [of prices] but you have to touch wood because there are ups and downs, and sometime the prices are very low and plunge the country into enormous difficulties.

The second constraint on our economy is that, although we are the most industrialised country in the subregion, industry only accounts for 20 per cent of gross domestic product. We think that development will help us do better, create more diversification and more stability.

Our third difficulty is our external debt, which represents more than 150 per cent of our GDP. Servicing this debt takes about 30 per cent of government receipts.

Otherwise, the recovery shows considerable vigour. We are now at a 7.5 per cent growth rate, compared with the crisis years when the rate was negative. This would be even better if we could settle the problem of the debt.

That is why we are in discussion with the World Bank, the International Monetary Fund, our creditors and the international financial community.

● Do you have confidence in the patience of Ivorians to continue this effort?

We have come a long way. In 1990-94 we were going down to hell with the revenue of farmers cut by half, and by a quarter or a third in the case of people in the city, particularly civil servants who had their perks and their numbers reduced. It was very hard.

Since then the trend has been reversed. We have made sure the poorest have recouped their purchasing power. Those further up the ladder have benefited, too, but not entirely regained their purchasing power.

Farmers have more than caught up because their incomes have gone up 43 per cent [since the turnaround in commodity prices].

In all countries, everything turns on social policy... and, like other countries, we too have strikes sometimes here and there. We treat them as disputes – given the state is no longer the employer – between the workers and the private sector, with the state putting its authority at the service of the protagonists to provide arbitration.

But we advise prudence, because the recovery is still young, only three to four years old. One should not eat the corn in its kernel.

● What is your vision of the relationship between the public and private sectors in the future? To what extent can the state withdraw from the productive sector?

Since our independence [1960] we have established a liberal market economy. The state invested in certain sectors where private enterprise was too timid, but since then we have privatised practically everything. Some sectors remain [in state hands] but they are secondary, while the privatisation of sugar and cotton is under discussion.

In petrol we have made a deliberate effort. We are beginning to produce our own petrol, but not enough to keep the refinery going at full load, so that is why we are importing some crude to produce the refined products we ship to the whole subregion.

● In today's globalised economy, are you satisfied that the Ivory Coast is opening up enough and attracting a wide enough range of investors?

We are now soliciting other investors in addition to the French. This is the consequence of our choice for liberalism. We have established our embassies in relation to a country's place in our foreign trade, and we have worked intensively to promote [inward] investment.

Some have come, others have dragged their feet. After the carve-ups at the Congress of Berlin [1870] and at Yalta [1944], the European, western powers respected their zones of influence. For instance, it was French trading companies that introduced British products [into the Ivory Coast]. But we have always urged direct trading relations.

● But France still accounts for about a third of Ivorian trade?

People tended to leave the Ivory Coast to the French, simply because we were a French colony. In addition, during the cold war, France was left to defend western interests in francophone Africa, and the US and Britain did the same in anglophone Africa. Now there is no more east-west rivalry, only economic rivalry and competition between the zones. France and French-speaking Canada, for instance, are trying to penetrate Nigeria, Ghana and Uganda.

● How do you see the Ivory Coast's internal politics developing?

Here dialogue is almost an institution, at all levels. In addition, we have an economy which, relatively speaking, sustains well-being, and good governance. We have a little debate about how, at the time of [alleged] plots, this or that was done. But compared with other states in the region, we have never shot anyone, nor let people die in prison of hunger or thirst.

● Don't you think that, with current tension and demonstrations by the opposition, the Ivory Coast still has a certain distance to go from having been a one-party state to a pluralist democracy?

All the problems you refer to are born out of the difficulties of establishing democracy, which is not easy anywhere in the world. Democracy is an ideal, which *chez nous* is complicated by ethnic and tribal cleavages. But these problems exist elsewhere. Look at what happened in Yugoslavia.

● Your offer to enlarge the majority with members of the opposition, and perhaps take some of them into government, is this a means of returning to the one-party tradition?

No. It is a means of trying to make [the opposition] more responsible. It is a question of training, not a favour or a gift. The PDCI [the ruling party] has always been in power.

We have an experience – even perhaps the strongest in Africa – because we have avoided coups and we have created a growth which puts us among those at the head of progress in Africa.

We have a young opposition. I don't think we should leave them outside completely. I don't need them to govern. However, I consider it to be in the national interest to give them some experience of the workings of the state.

None of [the opposition] has ever run anything, not even a village.

● Will you run for another term in the year 2000?

Everything in good time. That will depend on my voters; my party. I still have three years of my current mandate to go.

Participants in a mask festival: a rich culture has not been ruined by mass tourism Anthony Morland

A visitor's guide

Good hotels and restaurants complement a rich cultural heritage

With its freeways and Mahattanesque waterfront skyline, Abidjan looks more like a capital than most cities in Africa. Ironically, the Pearl of the Lagoons lost this title in 1983, when the late President Felix Houphouet-Boigny decided to bestow it on his home village, Yamoussoukro, famous for its life-size replica of St Peter's Basilica. Officially, Abidjan, a city of at least 2.5m souls, is now the Ivory Coast's "economic capital".

From the shining towers of Plateau, the city's business and administrative heart, to the sumptuous villas of Cocody, Abidjan has all the trappings of a modern metropolis: good communications, fine restaurants, safe hospitals, rush hour congestion and, unlike most African cities, an administration functioning with a degree of efficiency.

But there is also the usual urban blight that accompanies recession: street kids, no-go areas and banditry. Thanks to recent civil wars in neighbouring Liberia and in Sierra Leone, there are plenty of guns about.

More than 60 ethnic groups live in the Ivory Coast, as do nationals from all over west Africa. More than 30 per cent of the population are foreigners. This makes for a cultural richness and a language common to all: French.

Beaches an hour from Abidjan offer respite for those wishing to escape the stress and sultry weather of the city. The best are found in the extreme west of the country. The rich culture in the interior (such as dance and masks) is worth exploring and has not been ruined by mass tourism.

Getting in

Visas required by all except for EU nationals (for a stay of up to 90 days) and certain neighbouring African countries. For stays of less than three months, a visa is not required for visitors from Andorra, Belgium, Cameroon, Chad, Central African Republic, Congo, Gabon, Mauritius, Monaco, Netherlands, UK, the US and Ireland. Yellow fever vaccination certificate compulsory. Malaria prophylaxis recommended.

Getting there

There are no direct flights to the Ivory Coast from Britain or the US. Air France and Air Afrique fly to Abidjan from Paris Charles de Gaulle, Air Afrique from New York via Dakar, Sabena from Brussels, KLM from Amsterdam, Swissair from Zurich, TAP from Lisbon, Ghana Airways from Accra.

Banking

Main banks are BIAO (tel: 200778), BICICI (tel: 201600), Citibank (tel: 214610), Ecobank (tel: 211041), SGBCI (tel: 201234), SIB (tel: 200000).

Accommodation

Most hotels have their own free airport buses. Check at their booths near the terminal exit.

Hotel Intercontinental Ivoire, Cocody (tel: 441045): from about $150 per night. Tennis courts, pool, gym, bank, travel agent, casino, nightclub, bowling alley, ice-skating rink, art gallery. The city's grandest hotel, although its decor is rather dated.

Golf Hotel, Riviera (tel: 431044): from $130. Golf course, water sports, pool, hairdressers, art gallery. A little way from the town centre.

Sofitel, Plateau (tel: 221122): From $160. Pool, hairdressers, draught beer. Very central. **Hotel Tiama, Plateau (tel: 210822):** from $75. Mobile phones can be rented here.

Novotel, Plateau (tel: 212323): from $75. Pool.

Hotel Ibis, Plateau (tel: 210157): from $56 per night, this is the cheapest of the business hotels.

Eating out

Abidjan has a plethora of fine restaurants featuring cuisine from around the world. As well as French, Italian, Lebanese, Chinese, Vietnamese, Moroccan, Russian, Indian and a variety of African eateries to meet all budgets, the city is dotted with hundreds of "maquis". In these modest establishments the usual fare is braised chicken or fish (poulet/poisson braise), spicy stew with chicken, bush meat, or even snails (kedjenou). 'Attieke', ground and steamed cassava is a favoured side dish.

Most of the best French restaurants are near to each other in the Chardy district of Plateau. L'Epicerie (tel: 226654), La Croisette (tel: 212786), Le Bateau Ivre (tel: 229073).

Chez Walter is probably the best (and the most expensive) Italian restaurant in Abidjan and is located behind Cocody market. On the same street is the less pricey La Dolce Vita, which is famous for its pizzas. Chinese and good Lebanese (Le Mechoui) are also in the same street.

Aboussouan (BD Giscard d'Estaing, Treichville) and Les Figurines (Plateau) offer good African food in classy settings. La Bache bleue (Bd Giscard d'Estaing, Treichville) is one of the largest maquis in town.

Rather scuffier but well worth a visit are Le Senat and La Gorge d'or (which does good prawns), both nearby. Try also Le Bogolan (Bd Latrille, Deux Plateaux) and Le 331 (Rue Mermoz, Cocody).

Piano-bar restaurants: Le Brasero (Zone 4, 248809), le 372 (Plateau, tel: 321663). The Jam's on Bd de Marseille has live jazz on Mondays and Thursdays.

Getting around

Carry passport/ID when venturing out to avoid hassles at police roadblocks.

The city's red taxis have meters. Rates double after midnight. Typically, a ride from the airport to Plateau should cost about 2,500 CFA francs during the day.

Car hire can be arranged from the airport most hotels. Avis, Hertz, Europ Car and Budget operate here. Expect to pay $85 a day plus mileage. A cheaper option is Auto Plus (tel: 224507), next to the French cultural Centre in Plateau. About 35,000 CFA a day, all in.

Phone numbers

International code: 225; no area codes
Ambulance (SAMU): 185, 443445, 445353
Police (emergency): 111, 170
Telephone enquiries: international: 160; national: 120
Felix Houphouet-Boigny International Airport: 277322, 234000
Air Afrique: 203000
Air France: 328919
Sabena: 212936
Swissair: 215572
Ghana Airways: 322783
British Embassy: 226850
US Embassy: 210979
French Embassy: 210404
Tourist Office: 206500
Economics Ministry: 210566
Ivory Coast Investment Promotion Centre: : 214070

Anne Le Coz

Tracing established lines

Continued from page 2

"We need an independent electoral commission, we must move towards proportional representation. The voters' register must be reviewed and the size of constituencies should be more equal," Mr Djangone says. "Everything at the moment favours the PDCI."

The government remains quiet about the prospects for changes to a system which has served it so well, prompting the opposition to reject Mr Bedie's offer of posts in a coalition administration.

The opposition dismisses as insufficient moves that are being made towards decentralisation and condemns his concept of Ivoirite, which has politicised the nationality question – which is especially sensitive in a country where about 30 per cent of the population are immigrants.

While some in the FPI speak of mass protest or general strikes in order to press the government into adopting change, there is little to indicate that there is much appetite for confrontation beyond the boisterous student population, even among the discontented.

"The real problem for the PDCI is complacency," says one western diplomat.

"After 40 years in power and still effectively unchallenged, many of its leading lights regard the privileges of office as personal property.

"The only sanction on government is from within, and I wonder if that is altogether healthy."

A senior official says: "We know there is an old-fashioned nomenclatura which still holds influence, but in Cote d'Ivoire our strength has always been to follow evolution rather than revolution.

"Even with multipartyism, we are looking for consensus.

"And if we blend the more conservative ways of some with the dynamism and initiative of the younger generation, I would argue that that also is good for the country."

THIS WEEK

Eurobarometer registers a chill

DATELINE

Brussels: a survey suggests that the gap between "Europe" and the man and woman in the street looms large, writes Lionel Barber

First, a few facts. Three out of four citizens in the European Union say they are ill-informed about the planned single currency. Two per cent feel very well-informed; only 19 per cent feel well-informed.

Seven in 10 EU citizens feel ignorant about their union, though 67 per cent would like to learn more. The right to study and work in other member states is understood; so is the right to buy insurance or open savings accounts in another EU country.

But people are far more unsure about what happens when they move to another member state. Many are unaware that they are allowed to vote in local elections. Many believe, falsely, that there is an EU-wide telephone number for emergency services.

These statistics appear in the latest Eurobarometer public opinion survey released last week in Brussels. They suggest that the gap between "Europe" and the man and woman in the street looms large, even on the most basic issues.

In Britain, politicians and commentators have blamed ignorance, apathy and the Euro-information gap on the lack of a serious debate about the pace and direction of European integration. That was certainly true for a long time after the 1957 Treaty of Rome. As long as the EU delivered peace and prosperity, most Europeans appeared content to cultivate their gardens and let the politicians run the show.

Yet there are numerous signs that the mood is changing.

Alternative voices are starting to make themselves heard, not just in the familiar sceptical arc stretching from Britain, through Denmark to Sweden; but also in France, where national legislators are pressing for limits on EU-wide legal authority; and in Germany, where the regional Länder are leading a drive to repatriate powers from Brussels.

And here comes the biggest surprise of all. In Brussels, the heart of Europe, groups and networks are springing up which are intent on challenging the orthodoxy about building "an ever-closer union".

In some instances, they are lone voices like Bernard Connolly, the renegade European Commission economist who was dismissed for writing a scathing critique of economic and monetary union spoilt only by some extreme anti-German passages. Or John Laughland, the young Englishman and former Sorbone lecturer in a boater and Baby Austin. Laughland has published a book called *Tainted Source: the Undemocratic Origins of the European Idea*, which argues that to organise Europe around a single currency is dangerous for democracy and the rule of law.

Perhaps the most interesting sceptical voice in the debate is the Centre for New Europe headed by Fernand Keuleneer, a corporate lawyer educated at the Catholic University of Leuven and Yale Law School.

A cheerful chappie with a trenchant intellect, Keuleneer has published *Maastricht II: Democracy, Nations, Europe*. His contribution is timely because EU leaders are about to gather in Amsterdam to complete a new treaty – Maastricht II.

Its chief selling points are new language on fundamental rights, employment, and the creation of an area of "freedom, justice and security". This will provide for the progressive lifting of border controls, common asylum and visa policies, and more co-operation between police forces.

Keuleneer and his colleagues believe the treaty's approach is flawed. Rod Hunter, an environmental lawyer and contributor, points out that the inclusion of new treaty rights – such as the right to a high level of employment, access to public service utilities, or even animal rights are a recipe for public confusion and unnecessary judicial disputes. They amount to a political wish-list.

Keuleneer is also worried about the expanding role of the European court. He cites last year's ruling against the UK government which had brought a case against the EU working-time directive. The UK argued that the directive had been improperly passed by majority vote as a "health and safety" measure.

Instead of exercising restraint in this area, the court seized on the opening offered by the UK challenge and chose an expansive interpretation of health and safety used by the World Health Organisation.

The result, warns Keuleneer, is that the court could become a channel for translating new rights such as "health security" or the "right to health" previously clearly in the domain of nation states.

Similarly, he wonders, should the European Court really become involved in the organisation of sports teams, as it did in the recent case of Jean-Marc Bosman, a leading Belgian footballer, simply on the basis of the principle of freedom of movement in the EU?

These are questions well worth pondering, especially when EU leaders hail the forthcoming treaty of Amsterdam as the launch of a "People's Europe". Let the real constitutional debate begin.

The Monday Profile · Hanson

Bankable pop stars

Whenever the name Hanson has appeared in the FT, it has almost always been that of Lord Hanson, the septuagenarian British industrialist whose insatiable appetite for acquisitions once earned him the nickname of "the predatory peer".

Times change. Another Hanson has hit the headlines – three of them to be precise. Isaac (right), Taylor (centre) and Zach (left) Hanson are brothers from Tulsa, Oklahoma who, at the tender ages of 16, 14 and 11, are poised to eclipse the Spice Girls as the hottest phenomenon in the global music market.

Nothing is ever certain in the music business, but judging by their progress so far, Hanson seems destined for superstardom. *MMMBop*, the brothers' first single, is now number one on both sides of the Atlantic, and *Middle Of Nowhere*, their debut album, has sold over 1m copies in three weeks in the US.

The Hanson brothers are latest in a long line of teen idols to combine catchy tunes with androgynous good looks that have already scooped a "Hot Totty Alert!" slot in *TV Hits*, the British teenage magazine, and should soon be plastered across adolescent bedroom walls.

Yet Hansen is also a corporate asset for Mercury, their US-based record label, and PolyGram, its Dutch parent company. The band's value as an asset will be determined by how many records it sells and, critically, how long its career lasts.

Hanson has emerged at a time when PolyGram and the other multinational groups that dominate the $40bn (£24.5bn) global music market – Japan's Sony, Warner of the US, Germany's Bertelsmann, EMI of the UK and Canada's Seagram – need new assets, because their old stars seem to be fading.

New releases from once bankable names including R.E.M., Pearl Jam, Bryan Adams, Whitney Houston and Aerosmith have floundered in the past year. Even U2's *Pop*, which has sold 3.5m copies in three months, is not considered to be an unqualified success in the industry. The album has been heavily discounted, and advance ticket sales for *PopMart*, U2's world tour, are slower than in the past.

Record companies need bankable stars because they rely on the profits of a few best-selling albums to offset their losses on others. Music marketing costs have escalated in recent years as competition between the "big six" has intensified, and most albums now need to sell 1m copies to make a reasonable profit. Only 34 of the hundreds of PolyGram releases achieved that sales level in its last financial year, and EMI mustered just 25.

Once an album has broken even, its profitability rises sharply as sales increase. If Hanson's *Middle Of Nowhere* sells 3m copies, PolyGram should pocket a profit of $2 for each album sold, but it would make $3 if sales surpassed 5m, and $5 above 10m.

One of PolyGram's past strengths has been its flair for churning out several 5m-plus albums a year, but its luck seems to have run out in the past two years and group profits have stalled. Alain Lévy, PolyGram's chairman, is embarking on the final stage of a bold, but risky bid to diversify into the film industry. Anxious to revitalise the music division, he has changed the senior management of several labels including Mercury, where Danny Goldberg, a former Warner executive, arrived as president 18 months ago.

Goldberg has since dropped 20 of Mercury's poorly performing acts, and replaced them with new ones. Hanson was signed a year ago after a Mercury executive heard a home-made tape of the brothers' songs, including *MMMBop*.

Hanson's signing came when the US music market was approaching the end of one of its traditional five-year cycles. "We've had a darker period with grunge and gangsta rap," says Danny Goldberg. "Now there's room for lighter music."

The commercial beneficiaries of this cyclical change have been pop acts, such as the Spice Girls, No Doubt and the Cardigans. The critical stars are Beck, whose music blends hip-hop and soul with blues influences, and Jewel, the 22-year-old singer-songwriter who grew up in an Alaskan log cabin and was signed to Warner by Danny Goldberg.

Hanson's music is as peppy as the Spice Girls', but the brothers' fresh, anti-materialistic style is closer to that of Jewel or Beck. Mercury deliberately accentuated that aspect of the act by hiring the Dust Brothers, who produced Beck's *Odelay* album, to work on some of Hanson's tracks.

The *imprimatur* of a hip production team is also intended to overcome the credibility problem that has dogged other teen idols, from Bros to New Kids On The Block, and curtailed their careers. Unlike the Spice Girls, who first performed live six months after their album's release, the Hanson brothers seize every chance to show off their musical talent. Mercury will even release two videos for *Where's The Love*, their next single, one of which features Hanson playing an acoustic version of the song on MTV.

If all goes well, Hanson's album might have matched the 11.5m sales of the Spice Girls' debut this time next year, which would increase PolyGram's profits by at least $50m, and pad out little Zach's allowance as puberty approaches.

Alice Rawsthorn

FT GUIDE TO:

OIL EXPLORATION

In recent weeks, environmentalists have called for an end to oil exploration in pristine frontier areas on land and sea as a way to accelerate the end of the hydrocarbon era and reduce the threat of global warming. So are roustabouts and wildcatters now endangered species?

Not yet, but they will be if Greenpeace and others have their way. The debate stems from the fact that big international oil companies are moving into ever more remote areas to find new oil and gas fields to replace reserves.

The main exploration areas at the moment are the Caspian Sea, north and west Africa, Latin America and the Gulf of Mexico.

But haven't oil companies been telling us that new technology allows them get more and more oil out of existing fields?

They have and they are. In the mid-1970s everyone thought North Sea oil would run out in 20 years. Instead it is reaching record production levels and Norway has become the world's second largest exporter.

The steady decline of output on Alaska's North Slope has been arrested, at least temporarily.

And the Gulf of Mexico, where offshore production began in 1948, is enjoying a new boom with advanced seismic and drilling techniques.

So why are the oilmen rummaging around virgin rain forests and other pristine places? Do they have money to burn?

The industry has always been nomadic and it has always been rich, so yes, there is a distinct predisposition to travel. But there are also more compelling reasons.

Much of today's exploration is geared to finding the oil that will be needed in 10-15 years. And as for where it is taking place, that is explained by the fact that more than 60 per cent of the world's oil reserves outside the Middle East are in developing countries. Much of the oil found in those developing counties is situated in environmentally or militarily sensitive areas.

Is there any way the companies can avoid such messy situations?

Yes, they can go offshore. One of the most dramatic advances in the industry has been the growing capability to operate in deep water. Fields in more than 5,000ft of water are now in production, and exploration drilling in 10,000ft is not far off.

Many of the world's exploration hotspots are in deep water areas, such as the west coast of Africa – where companies have been able to operate in splendid isolation from political chaos.

But what do the environmentalists say about more offshore development?

They don't like it. Although big blowouts such as the one off Santa Barbara in California in 1967 are rare, environmentalists fear that technological advances will soon allow oil companies to explore in areas once thought to be immune from development, such as the Arctic or Antarctic.

But wouldn't we run out of oil if such areas were permanently out of bounds?

Not in the foreseeable future, but the world would become more dependant on the giant reserves of the Middle East.

The power of Opec has dwindled in recent years, but the only spare production capacity (aside from Iraq) is in Saudi Arabia, Kuwait and the United Arab Emirates.

Even with increased exploration elsewhere the Gulf producers may become more influential in the next decade simply because of growing demand for oil.

And there are no alternatives?

Not yet. But there are some developments on the horizon that could alter the balance of the industry. Natural gas, a cleaner fuel than oil, has been found in abundance, with overall world reserves roughly equivalent to those of oil.

The problem is the economics of gas. If it is found close to a market, then even relatively small amounts can be piped to consumers. But much of it has been found in very remote locations far from any end users.

Unlike oil, which can be easily shipped anywhere in the world, gas needs an expensive pipeline or liquefaction infrastructure to be viable. But advances in turning gas into very clean liquid fuels, such as virtually non-polluting diesel, could soon turn currently worthless discoveries into valued assets.

But even so, aren't we bound to run out of oil and gas one day? After all, they aren't making the stuff anymore.

That's certainly the conventional wisdom and the justification used by producers for high prices. The accepted view is that oil is what happens when you compress and gradually heat up dead dinosaurs and countless billions of tonnes of other ancient organic matter over millions of years. But not everyone agrees.

One school of geological thought popularised in the research institutes of the old Soviet Union holds that oil, like diamonds, is produced deep in the mantle of the earth and finds its way upward through faults and paths opened up by volcanoes. Backers of the theory even claim that some large fields may be "naturally re-charged."

Oil companies and Opec members call the theory's advocates crackpots. But some of those companies are now exploring in the foothills around extinct volcanoes.

Robert Corzine

Stephanie Flanders · Economics Notebook

Germany's cross of gold

The Bundesbank's fixation with its reserves is as old as the nation

When the Bundesbank denounced the German government's plan to revalue the nation's gold reserves last week, observers were quick to see parallels with previous battles, for example, over the terms of unification in 1990-91. But the Bundesbank's special feeling about the nation's gold reserves has its roots much further back than that – in the very birth of the modern German state.

When France was forced to pay a 5bn gold-franc indemnity to the newly created German Empire after losing the Franco-Prussian war in 1871, one of the new German government's first acts was to go to London and exchange it for gold. In the words of Harold James, an economic historian at Princeton and author of a recent paper on the subject, the French gold "was the treasure on which a new German polity could be built".

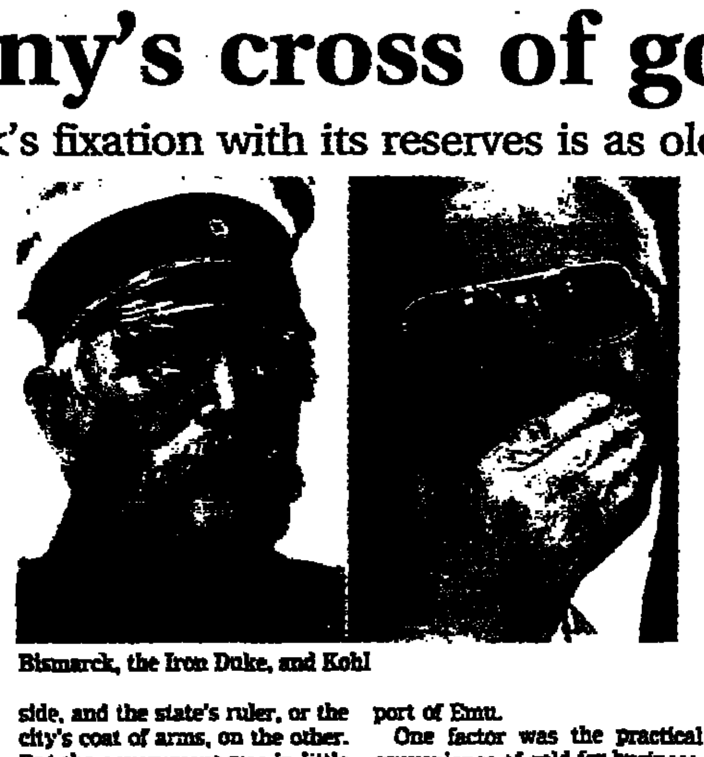
Equally, it was the treasure that the Reichsbank, Germany's first central bank, was created to protect. The gold helped underpin the decision to join the gold standard in late 1871. Four years later, the Reichsbank was established to maintain the new currency's value and preserve the stability of the financial system.

Germany has associated the fate of the currency with the central bank's control over its gold reserves ever since. And for good reason. The link with gold was abandoned twice in the first half of this century, each time presaging hyperinflation and financial disarray. The vast stock of gold reserves built up at the newly formed Bundesbank after 1957 as a result of enormous German trade surpluses underlined the central bank's commitment never to let it happen again.

But as Professor James shows, the early days of Chancellor Otto von Bismarck's Germany cast a rather different light on the latest battle between Chancellor Helmut Kohl and the Bundesbank, and on the debate over European economic and monetary union more generally.

Then, as now, many saw the creation of a single currency as a way of cementing economic ties across states and supporting trade and industry. In the case of Germany, the development of a German customs union, the Zollverein, after 1834 and the attempt to form a single labour market within the Northern German Confederation in 1868 had fostered some degree of commercial and financial integration between the German states. But monetarily speaking, the newly unified country was a mess. Silver coins were in use in most of the union but each state's coins had a slightly different weighting, size and purity.

The wisdom of suddenly shifting all of these silver-based circulations on to gold was not immediately apparent to all of Bismarck's new constituents. And when the new coins were introduced he made some concessions to popular fears by allowing old coins to remain in circulation. He also agreed that the new gold coins would carry the new imperial eagle on one side, and the state's ruler, or the city's coat of arms, on the other. But the government was in little doubt that a gold standard was the right choice.



Bismarck, the Iron Duke, and Kohl

As it turned out, Germany's decision started a worldwide stampede out of silver and paper-based currencies into gold. In 1871, Britain and Portugal were the only countries in Europe to be pegged to gold; by 1878 every European nation, plus the US, had either adopted the gold standard or was heading firmly in that direction.

Once started, the move to gold had a self-perpetuating quality because those countries that remained on silver risked being flooded by cheap silver dumped on the market by others. But the initial forces driving the adoption of gold were strikingly similar to those offered today in support of Emu.

One factor was the practical convenience of gold for businessmen. Industrialisation meant a rising volume of transactions – much of it international – and with it a growing demand for a more convenient unit of exchange. Gold had a clear edge over silver, being much lighter and easier to transport.

Business interests in Europe and elsewhere were pressing for a move to gold on convenience grounds from at least the 1830s onwards. Like today, it took more than the promise of lower commercial transaction costs to prompt countries to want to switch to a new system. Two further ingredients were needed. First, a belief that the new standard would be more stable than the old. And second, that it would give countries greater prestige and credibility on the world stage.

By 1871 gold seemed to promise both of these benefits. The price of silver entered a period of rapid, sustained decline, leading both the banks and the increasingly important urban-industrial classes to lobby even harder for gold. At the same time, adopting the gold standard seemed to offer a chance of importing the political and economic credibility of Britain, the shining economic role model of the time.

Fast-forward to 1997, and Germans are once again being asked to lead the way in the adoption of a new European monetary standard. Only this time the role model is none other than the institution which the new system would abolish – the Bundesbank. What is more, the guardians of the currency are being told, in effect, that they must cede power now over the nation's gold reserves for the new currency to go ahead on schedule.

Historians may judge that Mr Kohl's critics were as misguided as Bismarck's; that Germany was not giving up the Bundesbank so much as gaining a new and prosperous Emu. For now, though, history would suggest that, if he wanted to win the country over to his side, he has chosen a uniquely unfortunate way to begin.

Monetary and Fiscal Unification in Nineteenth Century Germany: What Can Kohl Learn from Bismarck?, Princeton University, March 1997

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Price for 01.06.1997 | Final Prices for Trading 04.05.1997

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	11.57	9.71	9.01	0.00
0100	11.53	9.31	9.01	0.00
0130	9.50	9.01	9.01	0.00
0200	11.53	9.01	9.01	0.00
0230	11.53	9.01	9.01	0.00
0300	11.53	9.01	9.01	0.00
0330	9.50	9.00	9.00	0.00
0400	9.50	9.00	9.00	0.00
0430	9.50	7.00	7.00	0.00
0500	9.50	7.00	7.00	0.00
0530	9.50	7.00	7.00	0.00
0600	9.50	7.00	7.00	0.00
0630	9.50	7.00	7.00	0.00
0700	9.50	9.01	9.01	0.00
0730	9.50	9.00	9.00	0.00
0800	9.50	11.58	11.58	0.00
0830	11.78	11.58	11.58	0.00
0900	11.58	11.58	11.58	0.00
0930	15.46	12.41	13.09	2.67
1000	16.39	12.47	13.15	2.67
1030	17.87	12.47	13.15	2.67
1100	19.98	16.92	17.81	2.67
1130	23.15	16.92	17.81	2.67
1200	23.15	33.16	33.85	2.67
1230	23.15	33.16	33.85	2.67
1300	23.15	33.16	33.85	2.67
1330	17.87	17.22	17.91	2.67
1400	16.39	21.39	22.08	2.67
1430	11.78	16.92	17.81	2.67
1500	11.57	15.79	16.47	2.67
1530	11.57	11.85	11.85	0.00
1600	11.57	11.80	11.80	0.00
1630	11.57	11.59	11.59	0.00
1700	11.78	11.59	11.59	0.00
1730	11.78	11.59	11.59	0.00
1800	11.38	11.59	11.59	0.00
1830	15.46	11.80	11.80	0.00
1900	15.45	11.80	11.80	0.00
1930	11.78	11.59	11.59	0.00
2000	11.78	11.59	11.59	0.00
2030	11.78	11.85	11.85	0.00
2100	15.46	15.79	16.47	2.67
2130	16.39	39.67	40.35	2.67
2200	31.96	39.67	40.35	2.67
2230	31.96	17.22	17.91	2.67
2300	31.96	16.92	17.81	2.67
2330	15.46	15.79	16.47	2.67
2400	11.58	12.41	13.09	2.67

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, ...

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Price for 02.06.1997 | Final Prices for Trading 05.05.1997

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	11.57	9.00	9.24	1.61
0100	9.50	11.58	11.58	0.00
0130	9.50	9.00	9.24	1.61
0200	9.50	10.70	10.94	1.61
0230	9.50	10.70	10.94	1.61
0300	9.50	10.70	10.94	1.61
0330	9.50	9.00	9.24	1.61
0400	9.50	9.00	9.24	1.61
0430	9.50	9.00	9.24	1.61
0500	9.50	9.00	9.24	1.61
0530	7.00	9.01	9.01	0.00
0600	7.00	7.00	7.00	0.00
0630	11.57	7.00	7.00	0.00
0700	11.60	9.01	9.01	0.00
0730	14.99	11.58	11.58	0.00
0800	21.78	11.58	11.58	0.00
0830	22.39	11.71	11.71	0.00
0900	24.22	12.51	12.75	1.61
0930	24.20	9.50	9.74	1.61
1000	28.17	12.57	12.81	1.61
1030	28.17	12.57	12.81	1.61
1100	28.17	14.86	15.10	1.61
1130	29.35	21.88	22.13	1.61
1200	35.62	34.88	36.13	1.61
1230	35.61	34.88	36.13	1.61
1300	28.17	21.88	22.13	1.61
1330	22.44	14.86	15.10	1.61
1400	35.59	14.86	15.10	1.61
1430	35.58	14.86	15.10	1.61
1500	22.35	11.85	11.85	0.00
1530	22.35	11.80	11.80	0.00
1600	22.35	11.80	11.80	0.00
1630	22.44	11.85	11.85	0.00
1700	30.28	14.86	15.10	1.61
1730	31.34	14.86	15.10	1.61
1800	30.28	20.07	20.31	1.61
1830	21.73	20.07	20.31	1.61
1900	21.78	20.07	20.31	1.61
1930	17.24	20.07	20.31	1.61
2000	17.24	20.07	20.31	1.61
2030	11.61	20.07	20.31	1.61
2100	11.60	24.86	25.10	1.61
2130	11.61	28.58	28.82	1.61
2200	27.00	28.58	28.82	1.61
2230	27.00	26.89	27.13	1.61
2300	21.60	24.86	25.10	1.61
2330	17.24	14.86	15.10	1.61
2400	14.86	14.10	14.34	1.61

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, ...

Still keeping up as time goes by

Victoria Griffith on approaches to training older workers in computer skills

Dottie Justice, head of human resources for the hotel group HFS in Knoxville, Tennessee, raves about the efficiency of the company's older employees.

"Elderly workers are more punctual and reliable than younger ones," she says. "They have a wonderful telephone manner and they don't take off for the nearest swimming hole when the weather gets nice."

The performance rates of elderly employees have been so good that HFS seeks out people over 65 to take telephone reservations for its chains, which include Howard Johnson and Days Inn.

There is one drawback, however. The company's studies show that it is more difficult to train older employees in computer skills.

That seemingly small point could soon become a big workplace issue in the US. America as a society is ageing quickly, and many of the so-called baby-boomers say they expect to work well into their 70s. But while the statistics suggest there is going to be more grey hair around the water cooler, companies are increasingly demanding employees with good computer knowledge.

Research consistently shows that, although overall job performance is at par, older workers are a little slower to learn new technologies than their younger counterparts. Most recently, a series of studies by Harvey Sterns at the University of Akron supported this notion. "There's no doubt that older adults take longer to learn computer skills and may need more assistance," says Sterns.

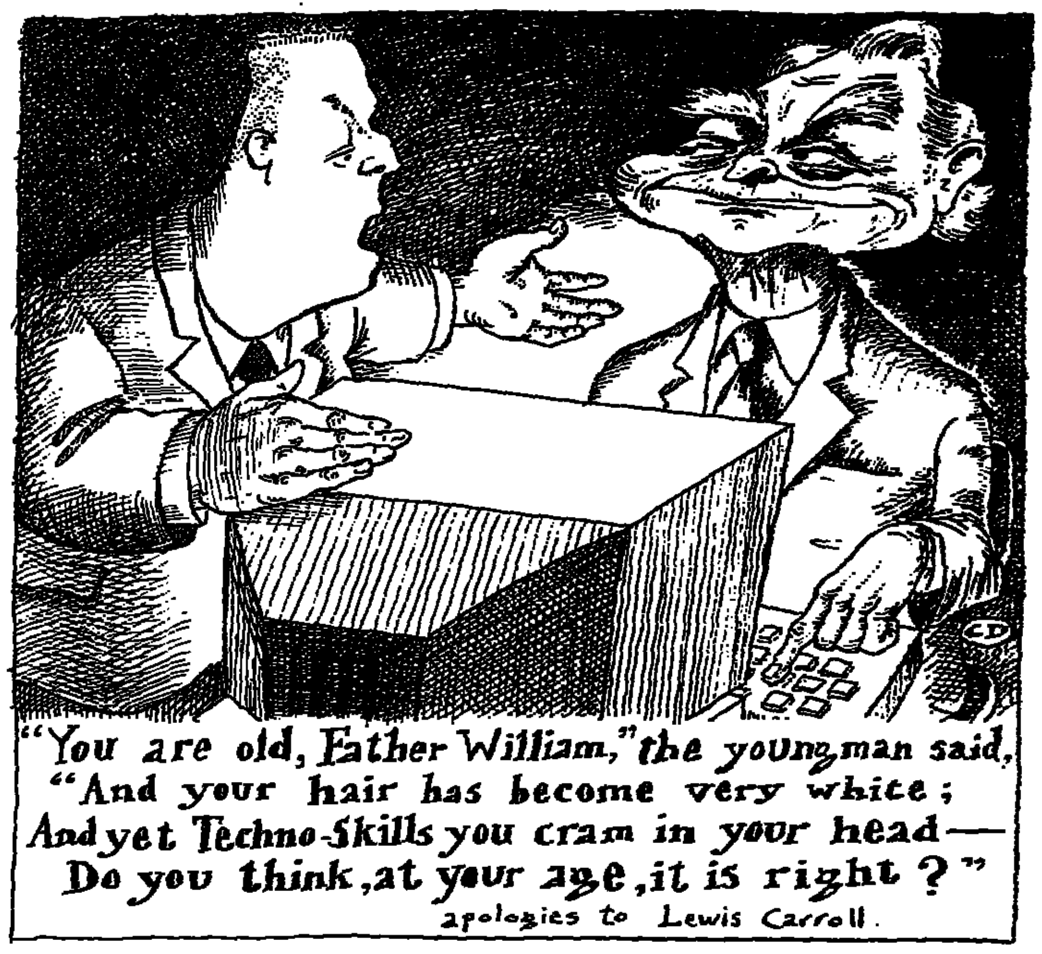
Older workers' unease with new office technologies is understandable. Employees over 50 spent many of their working years in a fax-free, computer-free environment. Even after the use of these facilities became widespread, many mid- and senior-level managers were cushioned from the new technology by efficient secretaries.

Times have changed. With the introduction of the internet, pressure has mounted on managers to learn basic computer use. The need for cutting-edge skills in some industries is expanding so rapidly that the very definition of an older worker has been altered. "In Silicon Valley, a 40-year-old may be considered over the hill," says Sara Rix, a senior policy adviser for the American Association of Retired Persons.

These trends have led to concerns about employment distortions, with the elderly facing diminishing opportunities while younger, computer-savvy workers are in increasingly short supply. Consultants say it is difficult to see how US companies will fill their ranks, unless they invest heavily in retraining older workers, particularly in today's environment of almost full employment.

Increasing legal disputes may impose a further toll on the private sector. According to the federal Equal Employment Opportunity Commission, age discrimination suits now account for a larger portion of its complaints than a few years ago.

Technology and retraining are often highlighted in such cases. "Tension in this area has been growing, and retraining is an important part of recent cases in which large numbers of older workers are laid off," says Marc Rosenblum, a law professor at Georgetown University.



While companies may legally refuse to hire or promote workers because of inferior technological skills, they must, under US law, offer older employees the same training opportunities as younger workers.

Age discrimination suits have picked up on this point. In one case recently settled out of court, Lockheed Martin, the aerospace company, was accused of failing to retrain older employees for new tasks. The group agreed to pay $13m (£8m) in damages and rehire about 450 older employees.

The slower pace of older workers in learning technological skills is not in itself a barrier to productivity. "They are slower, but they can be trained, and after they are, they perform as well as younger people on technological tasks," says Sara Czaja, a professor of gerontology at the University of Miami.

There appears to be broad agreement among most of those who have studied ageism that the main problem lies in the attitudes of both employers and employees. "It may be cheaper in the short term for companies to simply replace older workers with younger ones who've had contact with computers from the cradle, but that's not a long-term solution," says Rix of the Association of Retired Persons. "What they really need to do is to keep a closer eye on the skill level of their employees, and give them a special nudge to get the training if necessary."

Some of the responsibility lies with older workers. With many senior managers burdened by heavy workloads, it is all too easy to forgo training and attend to what they see as pressing tasks. To remain marketable, though, older employees must stay up to date. "To fall behind in technological skills is suicide," says Ray Fay, a partner handling age discrimination cases for Bell, Boyd & Lloyd, a Washington law firm.

Studies by the consultancy ICF Kaiser show that companies offering self-paced learning opportunities did not see a large differential in computer skills between older and younger employees. "It can be embarrassing for elderly workers to be put in a classroom situation," says Michael Barth, executive vice-president of ICF Kaiser. "Instead of putting them on the spot, it's advisable to let older workers go at their own speed."

Older workers and their employers can take heart in one trend: the improved user-friendliness of computers. Even the internet is easier to navigate than it was a few years ago. "It's getting so easy to use computers that it may not be a barrier much longer," says Francis Caro, director of the gerontology institute at the University of Massachusetts. "Even if older workers need an extra hour or two every few months to familiarise themselves with new technology, that would hardly cut into their overall productivity."

Lammer (left) and Hruska: 'there's an air of the mad professor about us'

PARTNERS

Sophos

Peter Lammer, 58 and Jan Hruska, 40, founded Sophos, an Oxford-based computer security software company, in 1985. Since 1987 they have specialised in anti-virus products. Last year they opened an office in Boston, Massachusetts. Their annual turnover is £8.5m.

Peter: "Our original plan was to design security systems, then, about a year after we launched, wild scary stories started appearing about viruses. We were lucky that we felt motivated at the time to start developing the software.

Jan and I occasionally meet the odd virus writer and as one might imagine, they're male and socially inadequate. A lot of conjecture has gone into why they do it, and so far, the most common theory is they obtain money in some way. I suspect the real reason is the kudos factor.

We're constantly analysing new viruses and building the knowledge into our products. In a way we're like Aids researchers trying to analyse new strains – the moment we find one, we incorporate the results into a commercially available test.

There's definitely an air of the mad professor about us. One of the things new employees find most baffling is the sheep noises they hear late at night. We discovered long ago that making animal noises gets rid of pent-up frustrations.

It's one of the great pleasures of running your own business; that, and not having to kowtow to others' advice. Being successful means we can say 'go to hell' if we don't like someone's opinions.

When we decided to build our own offices, the general consensus was, get a mortgage and buy an existing property. As a result, we've got a building we designed ourselves, for the purpose we wanted, and with the kind of security not possible if we'd accepted conventional wisdom."

Jan: "We only wanted the business to grow to 10 people, then stop. Neither of us felt we could manage more than that. We both detest office politics, particularly the backstabbing.

I don't think either of us envisaged the virus industry moving at 500mph compared to the computer industry which moves at 100mph. We've now got 60 employees but we've found a huge shortage of good people. Unfortunately, a lot of computer graduates don't come out of university with the necessary skills. These people need jobs yet they're still being taught how to program in stupid Pascal, even though they know the industry uses C++.

Over the years we've developed a test for would-be candidates which assesses how intelligent they are and whether they're literate.

I have questions I ask, like what is three times seven. If they reach for the calculator, which at least half of them do, then they're out.

Working here is like being in a very exclusive club for highly intelligent people. Some of them have little quirks, like only wearing black, or turning up at midday and leaving at 2am, but they're tolerated because they're great programmers.

Peter and I sit with everyone in the open-plan office and encourage the staff to come up and say if they've got a problem. I try to be hands-on and make a habit of working on a virus at least twice a week. Peter doesn't do it willingly. I push him. It's important neither of us loses sight of what the business is about."

Fiona Lafferty

Grey lobby gets restive

Richard Donkin on campaigners who want ageism outlawed

Campaigners seeking early legislation to end age discrimination in the UK were dismayed that there was no mention of plans for it in the Queen's Speech.

Andrew Smith, the minister responsible for equal opportunities, has promised consultation. But in a parliamentary answer to David Winnick, Labour MP for Walsall North – whose private bill to end age discrimination in job advertising failed in the last parliament – Smith appeared to stop short of a commitment to legislation.

His stance was seen by some as a step back from an affirmation made in 1995 by Ian McCartney, then shadow employment minister, to "introduce legislation to make age discrimination illegal".

Some interest groups, however, have interpreted Smith's statement as less of a retreat and more of a decision to take a thoughtful approach. The Carnegie Third Age Programme, a prominent interest group for older people, is suggesting ways that anti-discrimination measures could be introduced without a bill.

It says officials at the department of employment have been receptive to a proposal to amend the Companies Act so that businesses employing more than 250 people would need to specify their equal opportunities policies in their annual reports.

It says such a requirement would not trouble companies which already use such statements and quotes the 1996 annual report of SmithKline Beecham, the pharmaceuticals company. This says: "We will continue to develop as a company of diverse employment, gaining strength from a culture that is open to talented people, without regard to ethnic background, religion, age, disability or gender."

Insisting on such all-embracing equal opportunity statements, Carnegie says, could be a useful step to a more powerful Equal Opportunities Commission. Without such moves, it says, barring people from obtaining employment on the ground of age will stand alone as a significant area of discrimination with no legislative sanction against it.

Labour may be tempted to steer clear of legislation in the light of changing attitudes, brought about by the voluntary codes barring age limits in job advertising supported by a number of leading agencies and publications. These do not, however, address age discrimination in the workplace.

Carnegie estimates that about 2.5m people over the age of 50 in the UK can be classified as "economically inactive". Labour's figures show one in four unemployed people over 50 has been out of work for at least four years. Smith's most recent statement suggests the government does not intend to overlook the issue.

The more things change, the more they are the same

Lucy Kellaway

The one certainty in the uncertain world of management is change. Change is faster than ever before. Ask any chief executive and they will tell you that their Number One challenge is managing change.

Everyone believes this, but is it true? Are organisations really caught up in a tornado of change? If they are, it has passed me by.

Of course businesses have to change. They cannot survive if they are static. But it has always been this way. What I doubt is that this change is faster than it ever was.

So why do we all believe that something extraordinary is happening in our places of work? Partly the blame rests with the management parasites. One genuine change over the past decade or so has been the growth in consultants, commentators, and assorted experts. Preaching change is a lot more profitable than maintaining the status quo.

Admittedly there is evidence supporting the theory of giddy management change. But the reason for much of this "evidence" is that someone has gone looking for it, and in this fuzzy area you can usually find whatever you are searching for.

Take last week's Industrial Society survey saying that 94 per cent of employers are going through a process of culture change. This sounds pretty remarkable. But on second thoughts, if you ask a company if it has a culture change programme, it will say yes, as no one wants to appear to be behind the times.

They may have some half-baked programme of sorts. Whether their culture is actually changing is another matter entirely.

Consider some other clichés of change. Work is becoming more flexible. This is part of the change mantra. But last week the Policy Studies Institute published a report finding no evidence of any increase in flexible forms of work. The increase in the number of flexible hours worked was almost entirely due to more overtime.

But no one takes any notice of this finding. Consultants go on regardless, talking about the explosion in flexible work.

Take jobs for life. There are supposed to be none of these left. But there are plenty of studies showing remarkable consistency in employment, at least among those who survived the great downsizing purge.

The heads of many big companies agree that all this talk is hogwash. Interviewed recently in the FT's Mastering Management, John Browne, chief executive of BP – at the company man and boy – said it could still offer jobs for life.

Neither is empowerment quite the revolutionary change it is cracked up to be. A divisional director of BT was quoted in the FT last week talking grandly about the new responsibility his employees were being given. It turned out he was referring to staff no longer reading from prepared scripts when dealing with customer complaints but choosing their own words.

This is just the sort of change that is really going on inside companies. It is not sweeping, revolutionary or any of the other adjectives usually used to describe it.

Some of the things that worked well in the past no longer work and need to be chucked. But for most of us at work change is at the margin. In the big ways our jobs are not that dissimilar from what they always were.

My diary this Season is one long blank. I had hoped for a corporate invitation to the Chelsea Flower Show, but no luck. Neither have there been any invitations to Wimbledon, Ascot or anywhere else. This enforced austerity has one advantage: it allows me to criticise those who are knocking back champagne at someone else's expense.

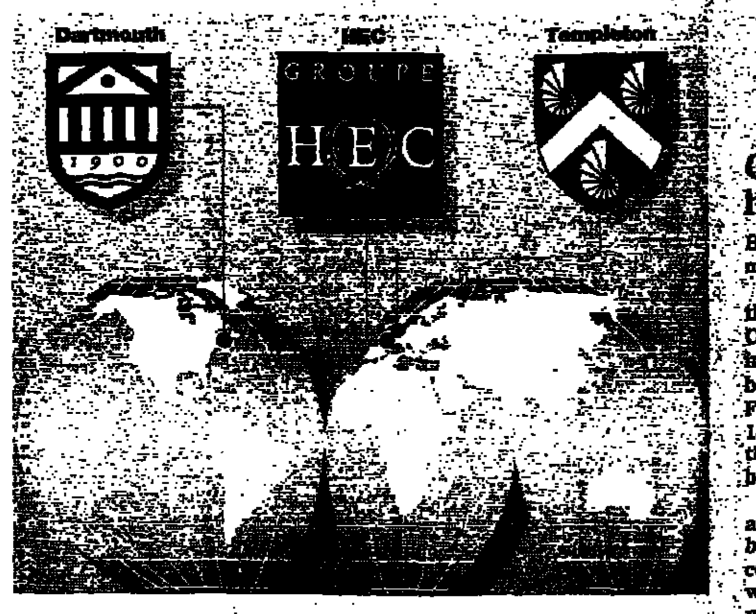
For those of us outside the gates, the system of lavish corporate entertaining looks dodgy. The reason companies invite you to this sort of thing is not because they like you – if that is the only reason they should be fired for wasting their shareholders' money. They ask you because they want something in return. They are offering you an institutionalised, perfectly legal bribe.

Given how indignant everyone has become about sleaze, it is surprising that this corporate sleaze goes largely unnoticed. MPs have to disclose every gift over £125, doctors are limited in what they can accept from pharmaceutical companies. But for most companies anything goes. According to Management Today, a few companies are beginning to crack down. At National Power all gifts have to be cleared with a supervisor, and anything that might be seen as an inducement is refused.

The guidelines seem sensible enough but are not likely to catch on. The trouble is that the very person who should be drawing them up is likely to be too busy dusting down his top hat in preparation for Ascot.

Della Bradshaw assesses the educational implications of the latest alliance between three business schools

New technology for old schools



TECHNOLOGY

Earlier this year a doctoral student at the HEC school of management in Paris had to go through the usual ritual of defending his thesis in marketing to a review board of six examiners.

But only five of the six were sitting in the room in Paris.

The sixth participated via a high-capacity video-conferencing link from his office at the Amos Tuck school of management at Dartmouth College in New Hampshire in the US.

The review board was just the first manifestation of an alliance between three business schools to exploit the latest technology in order to further research and teaching. Between them the three schools, Tuck, HEC and Templeton, Oxford's management college which specialises in executive education, have invested millions of pounds to realise the technical links.

At the outset the network is being used by postgraduate students to share research information. A high-tech research symposium will become a regular event.

"It's an opportunity for us to work at different levels," says Bernard Ramanantsoa, dean at HEC. "Most alliances just involve student exchanges or the exchange of faculty, which doesn't happen very often."

Eventually the deans of the three schools envisage that classes will be taught jointly across the network, for both executive and MBA courses.

> **'The move is not commercially driven. It really is motivated by the need to learn about learning'**

Cross-teaching for executive courses could begin by the end of the year, says Ramanantsoa. Once these have been successfully tested, joint MBA classes could follow shortly afterwards.

The first step for the alliance, however, is to set up the technological structure to enable the cross-fertilisation of ideas. "The move is not commercially driven. It really is motivated by the need to learn about learning," says Rory Knight, dean of Templeton.

"What we want to do is to set up the precursors of spontaneity," agrees Paul Danos, dean at Tuck. "It's the precursors that are so difficult."

Once the infrastructure is in place Ramanantsoa envisages being able to disseminate ideas between the schools in the same way as consultancies can share ideas between offices. "At any time if I have an idea I want to be able to contact people who would direct me to publications or other research where the idea had been discussed, or would say 'Yes, that's a great idea'."

The alliance is one of very different yet curiously similar institutions. All three management schools have been set up at the most traditional universities, strongly rooted in local culture.

Oxford is the most typically British of institutions, while Ivy League Amos Tuck, founded in 1900, was the first to launch an MBA programme in the US and today offers the archetypical American MBA. HEC is one of France's "grandes écoles" and widely regarded as the country's most formidable local business school.

Although each school is relatively small compared to the MBA factories of the US, the three schools together have more research staff than any single school in the world with the exception of Harvard and Wharton. And it is the quality of those research staff that counts, argues Danos. "There are a lot of second-rate players out there who have high tech, but they're still second-rate."

The money for the latest technology at Tuck and Templeton has been put up largely by benefactors, in the case of Templeton by the late John Pitt, the former chairman of technology companies Telematics and Virtual Access.

Templeton has already spent £1.5m to set up a high-technology facility to be officially opened this month. A further £4.5m has been allocated for expansion over the next two years, for computer workstations, broadband telecommunications links and the required study facilities. Phase three will involve the linking in of the proposed Oxford business school site to Templeton.

At HEC, partly funded by the Paris Chamber of Commerce, Ramanantsoa is hoping French conglomerates, too, will contribute financially to the scheme.

NEWS FROM CAMPUS

Getting [illegible] heart of [illegible]ase

How do you [illegible] a management [illegible]?

This questio[illegible] the heart of th[illegible] Case Clearing [illegible] international [illegible] be held at Inse[illegible] Fontainebleau [illegible] 15. The worksh[illegible] the second on t[illegible] be held in Euro[illegible].

The worksho[illegible] at teachers and [illegible] both business s[illegible] commercial org[illegible] who want to lea[illegible] use case studies [illegible] advance their te[illegible].

ECCH: UK, (0)123[illegible]

Europeans [illegible] for the bes[illegible]

The European bus[illegible] plan of the year competition, deve[illegible] jointly by London B[illegible] School and Insead, [illegible] held this year at LBS on June 12 and 13.

Teams from a do[illegible] so European schools [illegible] battle it out for the [illegible] developing and pres[illegible] a business plan for [illegible] venture.

LBS: UK, (0)171 262 5050

Cash for courses at Ivey school

Students at the Richard Ivey school of business at the university of Western Ontario are to get an innovative loan package. The package will be available to students who join the MBA programme from this autumn.

Negotiated by the school and the Bank of Nova Scotia, the preferential rate loans will be for amounts up to C$60,000 (£26,550) a year. The loans will be repayable over 10 years once the student secures a job.

Ivey: Canada, 519 661 3206

Marketing folk get global degree

Britain's first master's degree in international marketing management will start this autumn at Leeds university business school. The course will be available on a one-year, full-time basis or on a part-time basis to enable those with a diploma from the Chartered Institute of Marketing to upgrade their qualification.

LUBS: UK, (0)113 233 4501

ADVERTISING

Black consumers enter the arena

Victoria Griffith finds US advertisers eager to give an ethnic slant to their campaigns

When the first television commercials produced by the advertising agency SPIKE/DDB go on US television this month, the advertising industry will be paying attention.

The spots, selling a pay-per-view boxing match between Mike Tyson and Evander Holyfield on the cable television station Showtime, are the first product of a joint venture formed last December between Madison Avenue's DDB Needham and Spike Lee, one of America's most talented and controversial black film directors.

The result is pretty much what might have been expected: plenty of cinematographic flourish with a touch of humour, minus the polemic. Both spots were directed by Lee.

The first commercial, dubbed "The Sound and the Fury", seems to cram as much cinematographic effect as possible into just under one minute.

Scenes of Holyfield and Tyson attacking each other in the ring are shot in black and white, giving the commercial an artistic feel.

The camera zooms in for pre-fight close-ups of the boxers' faces, registering tension and sweat. Lee follows with a series of slow-motion shots of punches, ending in camera stills when the gloves find their target. All this is accompanied by an operatic voice in the background.

The ad imparts a strong sense of drama to the event, and will probably work well.

The second spot is a comical clip of a singer in the ring with Tyson and Holyfield. As he croons the corny tune *Chances Are*, a voice-over promises the fight will deliver all our favourite "hits".

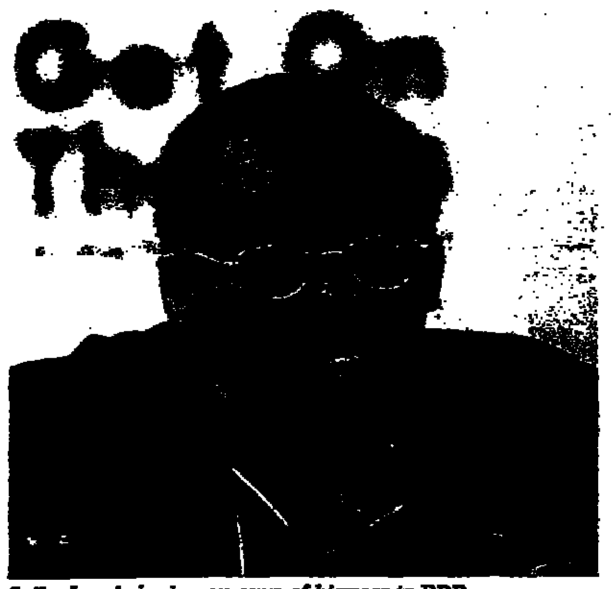
Titles like "Left Jab" and "Double Lefthook" then scroll across the screen. The commercial is a spoof on the advertisements for kitsch music CD compilations commonly seen on US television.

It is midly amusing, but strips away the drama that the first commercial offers.

Lee has directed commercials before. After winning critical acclaim for his feature film *She's Gotta Have It* a decade ago, he directed a number of popular spots for footwear maker Nike's Air Jordan brand. He insists he has wanted to do commercials longer than he has wanted to do movies.

While collaborating with DDB Needham last year on a campaign for Busch beer, Lee mentioned his desire to form his own agency. DDB Needham decided to back the venture, and the partnership was formed six months ago.

The new venture adds an aura of hipness to DDB, in the past considered a conservative firm. It also points to the growing importance of the so-called "urban market", largely made up of black Americans.



Spike Lee: bringing an aura of hipness to DDB

US advertisers desperately wish to communicate with black consumers. By giving their work an edgy ethnicity, they hope to reach the suburban Generation X population as well.

"We did this because we're interested in connecting with urban markets," says Keith Reinhard, chairman of DDB Needham.

"A lot of trends start in the city and move to the suburbs. Just look at rap music and baggy baseball shirts."

The first samples of the new agency's work are intriguing, but Lee will need more than a talent for directing commercials to make SPIKE/DDB a real force in the market.

As president of the group, he will be in charge of bringing in clients and selling his ideas. If he wants the business to expand, he will also need to delegate responsibility. That may be a tall order for him.

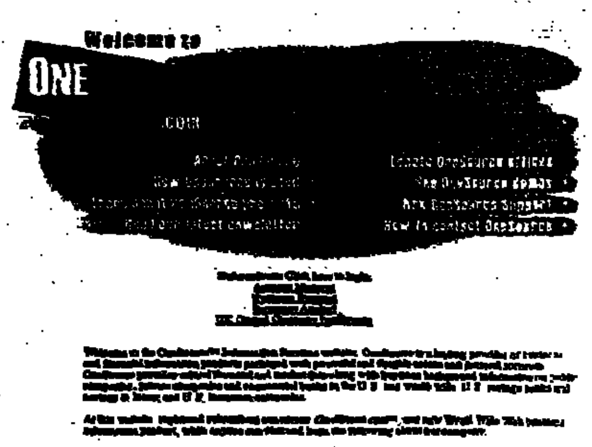
At the very least, the new venture promises to be an interesting one-man-show. Whether it will grow into an important new agency remains to be seen.

Web Site of the Week · OneSource

Corporate data via the Net

The online business information market is a jungle, with no shortage of sources offering corporate data by means of proprietary systems.

But it is a sign of the medium's growing acceptance as a delivery system for commercial information that OneSource (*www.onesource.com*) – a leading supplier of data and analysis software – has recently turned its attention to the internet.



Philip Garlick, OneSource's general manager, said an internet platform was "a natural strategic progression".

OneSource's chief product for the domestic market is UK Company Intelligence, which integrates material from sources such as Hemmington-Scott, Datamonitor, Investext and Responsive Data Services to form updatable company profiles.

Each company listing can also compare the closest five companies in that sector.

The main selling point is integration of reliable sources of business data, with features such as a listing of imminent company announcements, and a high degree of personalisation.

For example, a "watchlist" allows the user to monitor specific companies, and data can be exported to a separate spreadsheet.

The company is enhancing its other net-based products, US Business Browser and US Insurance Analyst, with plans later this year for a Global Business Browser, which will feature the top 20,000 quoted companies worldwide, says Garlick.

The price for UK Company Intelligence is based on the number of users on a network, but begins at £950 a month, or a discounted annual rate of £9,995.

Stephen McGookin

steve.mcgookin@ft.com

ADVERTISING

'Weak' force behind hype

Diane Summers sounds a model's death knell

What is the *point* of spending money on advertising? It is a basic question finance directors may find themselves pondering as their advertising agencies submit ever-larger bills for ever-wackier campaigns.

The concern is summed up by a letter to an advertising agency from one direct finance chief:

"Many thanks for outlining your £2m budget. However, I still have a concern. With sales below plan and the adverse exchange rate, we must ensure that all expenditure adds value to the business.

"We must sell 130,000 units to make £2m net profit. Will you please demonstrate how your advertising will generate 130,000 extra sales and so earn £2m in addition to what we'd earn otherwise?"

The letter is quoted by Andrew Ehrenberg, research professor in marketing at London's South Bank University. With colleagues Neil Barnard and John Scriven, he will soon publish *Justifying Our Advertising Budgets*.

The research, conducted over two years in the UK and US, should provide advertising agencies with a few smart answers about what advertising is for.

Participants in the project have been agencies BMP, DDB Needham and Publicis, while big advertisers have included British Petroleum, British Telecommunications, British Gas, Coca-Cola, General Motors, IDV, Philip Morris, Procter & Gamble, Prudential, Shell, United Distillers, Unilever and United Biscuits.

A fundamental error our finance director appears to have made is to believe the industry's own hype: that ads can influence people strongly to buy things. The model which describes this supposedly strong, persuasive effect is AIDA: ads can help stimulate Awareness, then Interest, then Desire, then Action (ie. purchase).

Ehrenberg finds no evidence that consumers feel anything like desire when they set out to buy a particular toilet cleaner or instant coffee. Moreover, he argues there is nothing in the AIDA model that describes repeat purchasing.

The study suggests that advertising should be seen as a "weak" as opposed to a "strong" force – its purpose to "reinforce or perhaps nudge" any existing inclination to buy a brand. AIDA is replaced with a new model: A - T - R&N.

A consumer may have some awareness [A] of a new product – this awareness may have been created, in part, by advertising but also through seeing the product on the shelves or hearing about it from other people.

The potential purchaser may then show some interest and perhaps decide to try it [T]; if the trial is ok they might try it again.

With reinforcement [R] the consumer may be persuaded to add the brand to their repertoire - most people are not "loyal" to one name, but regularly make their purchases from a collection of brands in any one category.

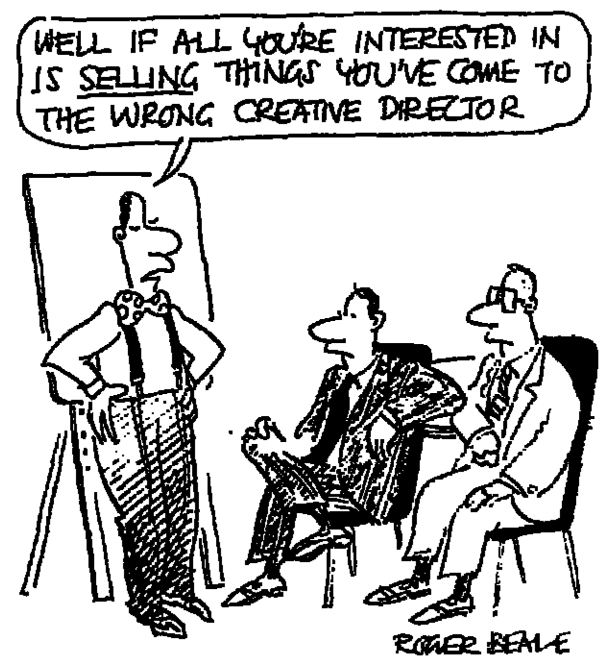
Shoppers may be nudged [N] into buying one brand, rather than another, from among their repertoire. Advertising may have its part to play at any of these stages.

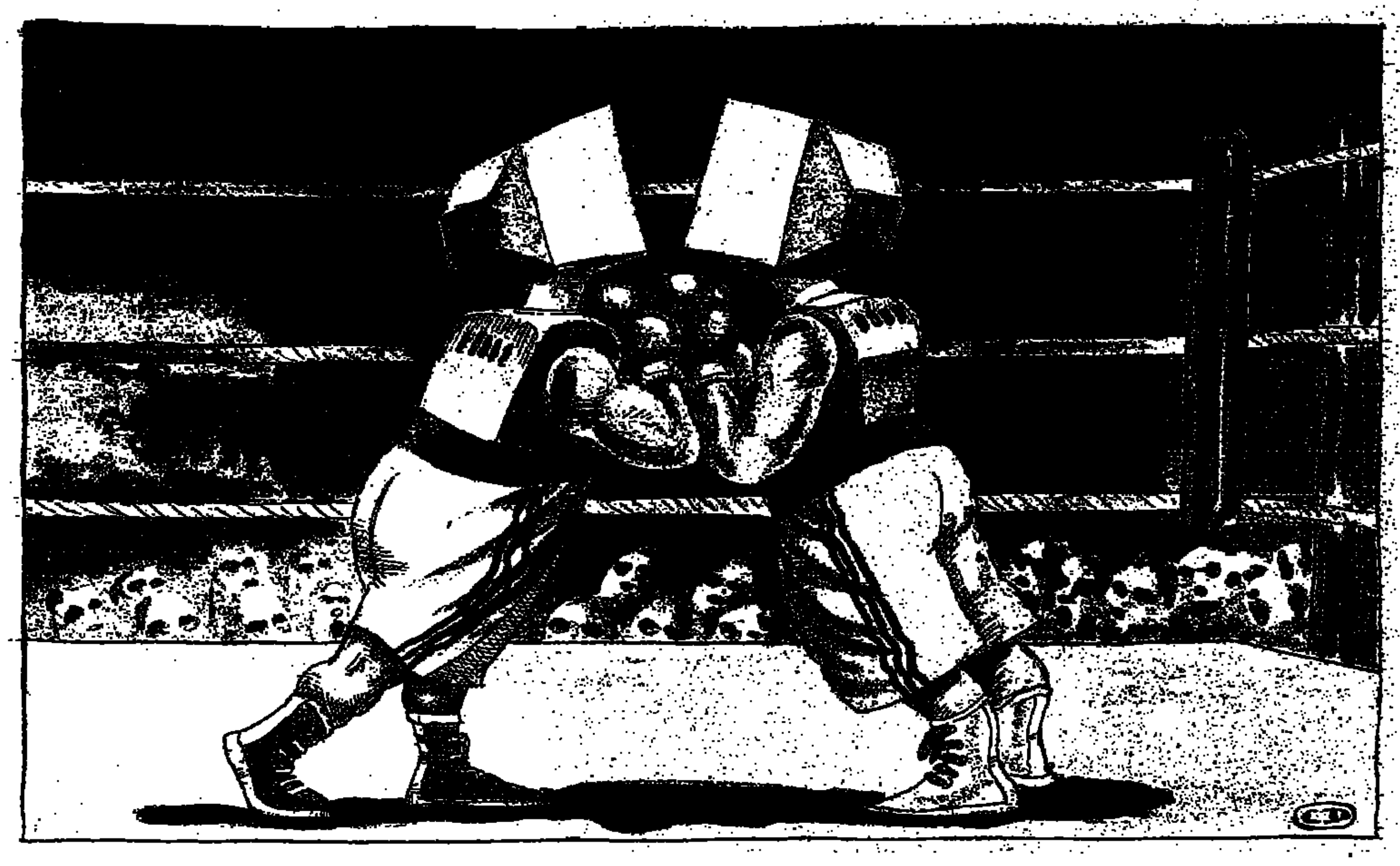
All this may lead our finance director to suppose that chopping the advertising budget would have few consequences.

Ehrenberg replies that if competing brands were to advertise heavily and one's own brand did not, the competition would gradually win market share. Advertising, therefore, is a longer-term, defensive activity.

To sustain market share and match, broadly, what the competition is doing "should justify one's advertising budget, with occasional extra sales as a bonus," he concludes.

Ehrenberg is at South Bank Business School, London Road, London SE1 OAA. Fax: 0171 815 6166. Email: ehrenba@sbu.ac.uk.





Rival standards square up

The push programs of Microsoft and Netscape conflict, says **Louise Kehoe**

A standards battle is looming on the internet as Microsoft and Netscape, the two leading developers of Web software, prepare to launch new programs incorporating push technology. Push is set to shove the world wide web into a new mould, reshaping the medium into something more akin to television channels that arrive automatically on a computer screen.

For Web users, competition between the internet software rivals could mean that information channels available using one company's software will not work properly if accessed using competing programs.

Caught in the middle of this technology battle are some of the world's leading media groups, which are being forced to choose sides.

Microsoft, focusing initially on business information suppliers, has signed up a dozen "content providers".

These include NewsEdge, a news clipping service from Desktop Data; Dun & Bradstreet's corporate information channel; First Call with Wall Street analysts' reports; Forbes Magazine; Fortune Magazine and the Wall Street Journal.

Netscape has an even longer list, including some 100 Web channels developed using push software from Marimba, a software start up that has allied with Netscape.

The big names in Netscape's camp are Time Warner and Disney, the top two publishing groups in the world.

Netscape calls its version of push technology "Netcasting" and it plans to introduce its Netcaster program next month as part of Netscape Communicator, an expanded and upgraded version of Navigator, the most widely used Web software. Netcaster is based on established Internet software standards, the company says.

Microsoft prefers "Webcasting". The world's largest software company has thrown its marketing muscle behind adding a new type of index file, called a channel definition format (CDF) to Web channels.

Neither company is in a mood to compromise. Microsoft is proposing its CDF as a new internet standard. But Netscape executives claim CDF is an unnecessary complication.

The name of the game is numbers of viewers, rather than numbers of publishers, Netscape maintains, and it believes it has a head start on its rival.

Web users now face difficult choices as the next generation of internet software rolls out. Whether they pick Microsoft or Netscape, they can no longer be sure that all Web sites and channels will be fully functional on their PCs.

Users will only be able to receive "channels" developed using software from their vendor of choice. So, a Netscape Communicator user will not be able automatically to receive updates from NewsEdge and the Wall Street Journal. Similarly, a Microsoft Internet Explorer user will be out of luck when it comes to up-to-the-minute headlines from CNN.

Moreover, some of the latest Web site gee-whizzery such as video and animation will not be compatible with all browser programs.

Faced with this prospect, will Web users simply tune out the new channels? That seems unlikely. Corporate internet users, in particular, are expected to gravitate quickly toward the new technology because it makes Web use more manageable.

Web channels – of either flavour – can be pre-selected. Users can also customise those channels to deliver information only on topics of their own interests. The frequency with which channels are updated can also be set by users.

In the corporate arena, this allows network managers to block channels that are not related to a company's business interests and to schedule updates so that networks are not overloaded.

The problems created by incompatible software standards are, however, likely to damp enthusiasm. For the next few months, at least, Web users face a period of confusion. Ultimately, a solution will be found, industry executives predict.

If Microsoft's CDF is endorsed by the industry consortium that establishes internet standards, Netscape will accept it, said Jim Barksdale, Netscape chief executive, although he does not expect this to happen.

MARKETING

Carnivores given food for thought

Isaac Newton, Leonardo da Vinci and Plato are among the famous – if dead – vegetarians who will today help launch an important new poster drive for the anti-meat lobby.

The posters, part of a record £250,000 publicity campaign by the Vegetarian Society, coincide with the start of National Vegetarian Week, during which activists will celebrate the increasing number of Britons abandoning the eating of flesh.

While the tone of previous ads has got the 150-year-old society into trouble with the meat industry – one last year featured the rear end of a bull and was headlined "If you eat hamburgers, here's a couple of quarterpounders you may recognise" – the historic figures campaign marks a "less confrontational" approach, says spokesman Steve Connor.

"We don't want to hector people about animal welfare, nor to go on and on about saturated fat," he adds. "Our aim with this campaign is simply to present people with interesting facts about vegetarianism."

Vegetarianism is "at last coming into its own," says the society, which believes that both "mad cows" and rising cholesterol levels have prompted the acceptance of a meat-free diet by previously hard-line carnivores.

The last big survey of vegetarianism – conducted in March by Gallup on behalf of Realeat, inventor of the Vegeburger in 1983 – found that 14.3 per cent of the UK population no longer ate red meat, while nearly half, 46 per cent, are actively reducing their red meat intake.

Critically, for a movement which has always earned the derision and scepticism of men, there has been a 37 per cent increase in male vegetarians since 1995, particularly among the higher socioeconomic groups who are concerned about health.

The Vegetarian Society posters, which will appear today on selected London Underground and BR station sites, highlight a week-long orgy of vegetarian *food* sampling, healthier eating messages and praise for a genuine vegetarian lifestyle.

But with Tesco and Burger King heading this week's sponsors, the message is that vegetarianism today embraces the meat-reducer as much as it does the more committed vegan.

According to Unilever's Birds Eye Wall's, the meat-free ready meals sector is now worth £150m, making it the fastest-growing sector in the frozen foods industry.

Virginia Matthews

Kiwi fruit fresh from identity crisis

The former Chinese gooseberry from New Zealand has a new name, says **Meg Carter**

The New Zealand kiwi fruit is undergoing a personality change. When this year's crop hit British shops at the weekend, it was known as Zespri.

The name change follows an 18-month rebranding exercise designed to differentiate the New Zealand kiwi from its rivals.

"Growers should have registered kiwi fruit as a name when they first grew them in New Zealand," explains Roger Growcott, general manager of Zespri International, the former marketing division of the New Zealand Kiwifruit Marketing Board.

The fruit originated in China where it was known as the Chinese gooseberry, but it was first grown commercially in New Zealand.

Today, New Zealand claims a 35 per cent share of UK kiwi fruit sales but the fruit is also farmed in a several countries, including Italy and Chile.

"Over time, the word 'kiwi' has become generic. We want to re-establish the points of difference," Growcott explains. "There is increased competition within our market."

The kiwi fruit must also compete against a range of exotic summer fruits now imported by big supermarkets.

Research into consumer attitudes was conducted by Gallup in five markets. Interbrand, the international branding specialist, then developed the name.

"We focused on key attributes of the fruit – the fact that it is dull on the outside, but sweet and pretty on the inside. The end result combines connotations of zestfulness and the French word: *esprit*," says Interbrand UK director Susannah Hart.

The rebranding requires all New Zealand-produced kiwi fruit – some 2bn a year – to be called Zespri. Each will carry a sticker and packaging and promotional materials will now be branded Zespri New Zealand Kiwi Fruit.

Tim Jackson · On the Web

Idea in search of a market

Nathan Myhrvold, Microsoft's chief technology officer, describes it as "screwing your best customer" – the idea of charging for information one article at a time, instead of by the issue or by the subscription. Myhrvold's argument is that selling piece by piece is counter intuitive because it favours new uses over old and small clients over large.

Yet that is the core of the business due for launch next month. IdeaMarket, an internet startup in Austin, Texas, plans to sell newspaper articles, fonts, pieces of sheet music, cartoons, crosswords, algorithms and woodworking plans one-by-one. Prices will range from 95 cents for a recipe to $1,000 for a piece of market research into internet use.

IdeaMarket arose when Bill Gross, a software entrepreneur, found himself lying on a beach in Hawaii wanting a piece of information, and "irritated as hell" that he could not get it.

Talking to Jim Seymour, a veteran computer journalist, Gross decided to set up a business to sell information over the Web. Seymour, now the company's chief executive officer, has since been joined by Peter Lewis, a senior technology writer from the New York Times.

Today the company has 18 staff and is raising venture capital. So far, it does not have a product. Its website (ww.ideamarket.com) offers an early taste of the service that might be on offer, and a full-scale beta version will begin testing shortly. The commercial launch of the service is due on July 1.

The service is simple to operate. To find information, you either search for it using keywords, or drill down through a hierarchy of categories.

Each piece of intellectual property can be previewed in part, and a scoring system reveals how many other people have bought it and how highly they rated it. If you like what you see, you can buy it immediately online with a credit card.

IdeaMarket passes between a quarter and a half of the proceeds to the creator of the work. These terms are more attractive than those offered by traditional print publishers, but still give IdeaMarket handsome margins.

I found the website hard to navigate, and too heavy on frames and unnecessary graphics. But these are details. More interesting is whether the business idea itself is well-conceived.

"When you use Altavista (a leading internet search engine), it searches the entire Web and comes back with the first 20 of 60,000 hits.

"Our premise is that we can take people to information very swiftly, as our team of editors here has already vetted it," says Lewis.

"We'll only offer the ten best software utilities, or the five best articles on creating employee stock incentive programmes."

But Web users, flooded with information that is free, are notoriously unwilling to recognise that some information can be worth paying for.

Lewis claims that some media have made a successful transition from free to paying, citing cable TV and free newspapers as examples. But the businesses that have successfully sold pure information on the Web so far tend to be either brand names such as the New York Times, or niche players.

What of the problem identified by Microsoft's Myhrvold – that pay-per-view makes less sense than subscription? It is easier to get a client to make a single $10 buying-decision than to spend 10 cents 100 times. That is partly why magazines prefer subscriptions. But the IdeaMarket team is convinced that technology is changing the economics of publishing.

"We're publishers trying to become computer geeks, not computer geeks trying to become publishers," explains Lewis. "The existing system will break down in cyberspace as people have laser-like search tools that enable them to find information."

The examples of premium rate phone services and pay-per-view television argue in IdeaMarket's favour. But the important question is how long it will take for Web businesses on this model to become profitable.

When I asked Lewis how threatened he felt by the Wall Street Journal's online database, which allows internet users to buy articles for a couple of dollars apiece, he confessed that he had never used it because $2 seemed too much for a single story.

If a writer who values intellectual property has such resistance to buying from America's strongest financial-information brand name, what hope does a mere start-up have with customers who are ordinary mortals?

Gross believes the company will reach $1bn in sales within a few years. Lewis is more cautious, but he still predicts Amazon-style growth rates – doubling every three months for two or more years.

"The beauty of the idea is that no-one has yet successfully staked out the turf of where to go first for a broad range of high quality consumer information," he says.

tim.jackson@pobox.com.

Warning: messages are ignored

Cigarette makers may breathe easy, writes **Richard Tomkins**

More than 30 years after the first health warnings appeared on cigarette packs in the US, a new form of wording has started to appear on one company's products: "Warning: smoking is addictive".

The decision was taken by Liggett, the smallest US tobacco company, which broke away from the rest of the US tobacco industry and agreed to carry the warning as part of a pact with anti-tobacco litigants.

It is the first time that any US cigarette maker has openly admitted that smoking is addictive.

The warning has already begun to appear on the front of Liggett's L&M cigarette packs, and will spread to Chesterfield, Lark, Eve, and its other US brands during the next two months. (It will not appear in other countries because Philip Morris holds the international rights to Liggett's brands.)

Judging by New York smokers' reactions to the message, however, it seems destined to have as little impact as the health warnings that appear on the sides of Liggett's packs.

Wasted breath: Smokers seem to ignore small print

"People do what they want. They know smoking's addictive, but they do it anyway," said one Manhattan smoker.

A young unemployed woman said: "When you start smoking cigarettes, you're not buying packs: you're bumming them one by one. So you're not going to see the warning till you're old enough to buy them in packs."

A young male smoker agreed: "By the time you see the warning, it's already too late."

Good manners and stamina will help you in Tokyo, says **Nigel Page**

Acceptable to polite society

For the first-time business traveller to Tokyo, there are few obvious signs of Japan's recession. The sleek shoppers' paradises around Ginza, Shibuya and Shinjuku are thronged with well-heeled crowds; restaurants, bars and hotels are packed.

But behind the chrome and smoked glass, Tokyo is in shock. Bankruptcies, once unheard of for larger companies, are a fact of life; bad debts undermine financial institutions; and corporate scandals dominate the media.

Japan's economic problems have prompted a gradual sea change in business, society and politics. The cult of the salaryman, the loyal blue-suited champion of postwar growth, is ending. Foreign investment, foreign retail and foreign thinking are positively encouraged.

Tokyo can be bewildering. It is enormous, sprawling for miles in every direction and home to about 12m people – Greater Tokyo has a population of nearly 30m. It is extremely modern and relentlessly fast-moving: overhead expressways and railway lines split the sky; the pavements, the trains and the subways are packed.

This is the first impression, but like much else in Japan, it hides a more complex reality. As a paean to end-of-millennium urbanism, Tokyo reigns supreme. But it also hosts a business and social culture still founded on the rigidly hierarchical society of the 17th century.

All the city's leading administrative and commercial districts lie inside the Japan Railways' Yamanote Line. The areas west of Ginza are more heavily modernised, while east of Ginza, around Asakusa, lingering reminders of the old city can still be hunted down.

For business travellers, it is worth remembering that the two principal business districts are based in Minato-ku and Chiyoda-ku. The districts of Akasaka and Roppongi, famed for its nightlife, are in between, and both make convenient bases, with Akasaka probably counting for more in the prestige stakes.

Although the distances between meetings may not seem great in central Tokyo, traffic snarl-ups and initial confusion over addresses make it sensible to allow plenty of time. Punctuality is much admired – lateness less so.

Indeed, rather than falling prey to rampant taxi costs – fares of Y2,000 (£10.50) and upwards are normal for all but the shortest trips – and gridlock, visitors are best-advised to use the subway. This is cheap: most fares are either Y140 or Y160, and user-friendly, with colour-coding and plenty of English-language sign-posting. Its only drawback is the large number of exits from most stations.

Japanese is a highly complex language, but rudimentary pronunciation can soon be picked up. In any event, most Japanese speak some English and making oneself understood is not generally a problem.

Business etiquette is crucial and still closely adhered to throughout most of corporate Japan. Business cards *(meishi)*, preferably translated into Japanese on the reverse, are essential and their exchange constitutes a ritual opening to all business meetings.

Steve Lewis, a partner in law firm Denton Hall's Tokyo office, explains the protocol for business meetings: "For *gaijin* [foreigners] it is more acceptable to be fairly direct and the Japanese expect this of them, to an extent. Knowing when to keep silent is, however, important."

And according to James McKeand of the Tokyo office of law firm Freshfields: "Don't make the mistake of thinking that 'Yes' necessarily means yes. 'No', on the other hand, means no.

"It is a polite society: be polite. But you are not Japanese, so don't try to be."

Expect to be entertained at some length – business negotiations typically involve extended evenings in restaurants, bars and nightclubs – and stamina is an asset. It is important to wait to have one's glass filled by one's companions, rather than helping oneself.

Tokyo has five times as many restaurants as New York – prices can be steep, but food will generally be excellent and very fresh. Chopsticks should not be stuck upright in the rice bowl, as this is how food is traditionally offered to the dead, and it should be remembered that an invitation for an evening out means the host will definitely be paying.

For business travellers, a long-term view is important – sustained commitment is expected, especially where the incoming business is not well known.

Japanese executives are rightly sceptical of *gaijin's* intentions and will want persuading that their potential partner does not intend to pull out at the first opportunity.

Doing business in Japan is much easier today than it was five years ago and Japanese corporations are increasingly open to foreign suppliers.

Charles McKee, vice-president Asia/Pacific for Virgin Atlantic, the UK airline, opened its Tokyo office in 1989, and is seeing commitment pay off – the percentage of seats filled is the highest of any European carrier to Japan.

He advises detailed preparatory research as essential for business success: "Everyone out here for the first time is amazed by the amount known about them by their Japanese counterparts. They have taken the time to do the research and doing the same thing before arriving here pays dividends.

"A one-off visit here will not be enough to tie anything up – be prepared to take the time to challenge the received wisdom of doing business in Japan."

The survival guide

● Accommodation: Be prepared for high prices, all of which exclude tax which adds about 18 per cent to the bill.

A room at the Imperial Hotel, which overlooks the palace, costs from Y30,000 (+813 3504 1111). Other five-star hotels include the ANA Hotel Tokyo, with singles at Y24,000 (+813 3505 1111) and the New Hotel Otani, from Y26,000 (+813 3265 1111). The *oman*, or traditional inn is a good alternative.

● Health: Hygiene standards are high in Tokyo and medical facilities are widely available. Tap water is drinkable and there are no mandatory immunisation requirements.

● Getting around: Getting from Narita Airport to downtown Tokyo need not cost £80-plus in a taxi – there are cheaper and quicker alternatives. The limousine bus service covers most central hotels, and can be booked on arrival. Allow 90 minutes to two hours, depending on traffic, and fares should not exceed Y2,900. The JR Narita Express train takes (precisely) 53 minutes to Tokyo central and costs Y2,890. The privately run Keisei line also runs services into Tokyo.

Travel News · Roger Bray

Concorde costs

The cost of flying Concorde from London to New York [illegible] – provided you are prepared to go via Paris. Air France has cut [illegible] round-trip fares from most European countries for passengers boarding the supersonic airliner at Charles de Gaulle airport. This follows sharp increases in fares from London and Paris last year.

UK-based passengers travelling from Heathrow, Birmingham or Manchester, for example, now pay [illegible]. BA has a day-trip fare costing just [illegible] more than that but its unrestricted round-trip price is [illegible]. One-way flights from Heathrow cost [illegible] but you can go via Paris for [illegible]. Air France says it has long been cheaper to fly that way but the saving depended on the exchange rate.

Sydney shocker

Protests are gathering steam over the New South Wales government's decision to slap a 10 per cent bed tax on Sydney hotel bills from September 1. The move could add about [illegible] to the lowest published corporate rate for a deluxe room in the city, and A$18.30 to the cost of staying in a first-class hotel.

According to American Express, those rates have gone up sharply in any case since the start of last year – rising respectively by 12 per cent to A$277 and 7 per cent to A$186.

The state's tourist office says: "The entire travel industry is against this. A special taskforce has been set up to lobby ministers in an effort to get it stopped."

Hong Kong view

The prospect of an imminent glut of rooms in Hong Kong has not deterred the Marco Polo hotel group from confirming development of a 380-room "five star plus" property overlooking the harbour in Kowloon.

Other projects under way include a 1,000-room hotel at Yuen Long in the New Territories and a 600-room property next to the new airport at Chep Lap Kok which is due to open next April.

It is forecast that, by the end of next year, total hotel capacity in Hong Kong will have risen by about [illegible] per cent. Given the uncertainties of life under Chinese rule, this hardly suggests boom times.

Marco Polo, however, does not believe there will be too many five star-rooms, and certainly not on Kowloon side, where its planned hotel will be the first newcomer in that category for a decade.

Due to open in spring 1999, it will be close to the new airport rail link. It will have a health club and pool and guests will be checked in by butlers in their rooms.

Asian delays

Following the grounding last week of Airbus A330-300 jets by Cathay Pacific and Dragonair, passengers planning regional flights to and from Hong Kong this week should check availability and schedules.

The move was prompted by an engine lubrication problem. Manufacturer Rolls-Royce devised a rapid fix but meanwhile the crisis reduced services to Asian destinations by about 10 per cent.

The aircraft usually operate routes such as those to Jakarta and Bangkok.

Lufthansa lounge

The new Lufthansa business-class lounge at Frankfurt has several fancy gadgets but pride of place must go to its self-cleaning lavatories, Anson Cohen writes. Press the flush button and a robotic swabber clamps on to the seat, which revolves 360 degrees as it is disinfected.

For those wishing to work, there are phone booths which double as internet access points. The screen and keyboard are activated with telephone cards.

There are also workstations, with large table space and modem points. Lufthansa says it is about to install Notebook PCs in the workstations.

Lufthansa caters for those on very long journeys too: there are a couple of showers and a darkened sleep room with four reclining chairs. And if your mission is top secret, fear not. The lounge even has a paper-shredder.

Two similar lounges will open in concourse B at the end of the year.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thu	Fri
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong	[illegible]	30	30	30	29
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	23	26	24	24	25
[illegible]	[illegible]	[illegible]	18	19	[illegible]
L.Angeles	25	26	24	23	22
[illegible]	[illegible]	[illegible]	27	[illegible]	27
Paris	21	25	26	26	27
[illegible]	[illegible]	[illegible]	[illegible]	22	[illegible]

ARTS

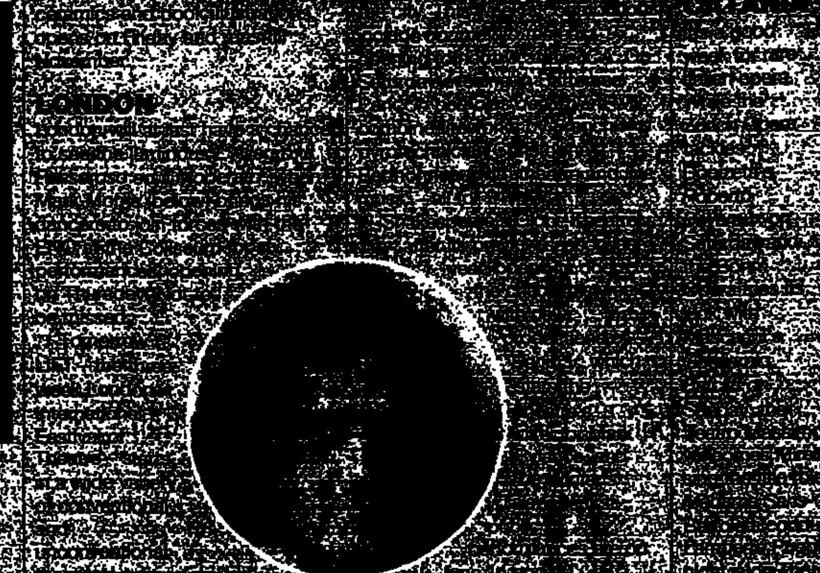
OPENINGS

WURZBURG
The annual Mozart (right) festival in this historic German town begins on Saturday. Over the following three weeks, the Scottish Chamber Orchestra, the Bamberg Symphony Orchestra, pianist Robert Levin and other distinguished visitors will give concerts in the Residenz, an 18th century palace decorated with Tiepolo's ceiling paintings.

DROTTNINGHOLM
The beautifully preserved 18th century court theatre near Stockholm opens its 1997 season on Wednesday with two Swedish ballets from the 1790s, in an interpretation by Ivo Cramer using dancers and musicians from Sweden's Royal Opera. This will be followed in early July by a production of one of the earliest operas ever written, Jacopo Peri's *Euridice*.

PARIS
On Thursday, William Christie (right) conducts the first of six *performances of Le nozze di Figaro* at the Théâtre des Champs-Elysées, with a cast including William Shimell, Rosa Mannion, Lillian Watson and Gilles Cachemaille. The staging by Robert Carsen comes from Bordeaux.

MARTIGNY
The Fondation Pierre Gianadda has won renown for the exhibitions of major artists it mounts every summer in this western Swiss town. This year's choice falls on the Spanish Surrealist painter Joan Miró. A large-scale retrospective, embracing paintings, sculpture...



LONDON

Life, comedy, the world, according to a lovable maniac

Nigel Andrews meets Jerry Lewis, the 1950s dysfunctional innocent, the performer filmmaker, the perfectionist

One minute to three, intones the voice from the hotel hallway, announcing its approaching owner's perfect punctuality. Then in come the face and body. From the red V-neck pullover with zig-zag patterning (loud, very 1950s) to the cleft chin, grown-up baby face and carefully lubricated swirl of hair, the looks are unmistakable. This is the man I and tens of millions grew up with.

For a decade after the war Jerry Lewis was the funny half of that pantomime horse known as Martin and Lewis – at their peak in 1952 the world's top box office stars. For almost 10 years after that he thrived as a one-man show, writing, directing and starring in such masterclasses in mayhem as *The Bellboy, The Ladies Man* and *The Nutty Professor*.

Here and in the films he made for director Frank Tashlin (*Cinderfella, The Disorderly Orderly*) Lewis was comedy's gift to the baby boom generation. His message was that part of us never grows *beyond* babyhood: we stammer and stumble, we look on the "adult" world with eternal cradle-level wonderment.

"Frank and I had the same cartoon mind," Lewis says. "We respected each other's awareness of the human condition and how these people would become cartoons and how the jokes would come from the follies and foibles of man."

It was child's-eye comedy. But real physical dexterity and mental wit also went into this dysfunctional innocent who bumped into scenery, couldn't get the girls and spoke, under stress, in a scrambled syntax somewhere between Joyce and "The *Jabberwocky*".

"The language thing just came up and I recognised that it was childlike. *Adults don't do it* because they make sure they're well-prepared, they rehearse themselves in their own minds. They'll rehearse 'How do you do?' before they meet someone. *Adults cover their ass, children* don't. They don't plan, they just 'do'."

The historic 1960 contract Lewis signed with Paramount – total control over his films plus 60 per cent of their profits – made him the most powerful performer-director west of the Atlantic. No less startling was his approval rating east of the Atlantic. Critics wielding Gallic polysyllables acclaimed him not just as a box-office high roller but as a major artist of modern cinema.

"The French, for Christ's sake, I've been arguing with them for years," exclaims Lewis. "'No, I didn't mean that.' I'd say, 'no, that was not my intention.' Jesus, you *French frog bastards*'" – amiable mock savagery – "I didn't even *consider* such a thing!"

"I've had fights with Truffaut, fights with Jean-Luc [Godard]. I mean, he says, 'No, Dzherry, you did zat because your muzzair, she must 'ave been scared when you were a baby . . .' I said, 'No, Jean-Luc, I did it because it was a funny idea'."

It's nice to be flattered, though; especially since Lewis has had less happy confrontations with public perception. Scandal-hungry commentators spent years asking if one of Lewis's most famous screen characters, the vain and arrogant crooner Buddy Love in *The Nutty Professor*, was a poison pen portrait of ex-partner Dean Martin.

"Ridiculous," he says. "I wrote about the ugliest, most mean-spirited human being I could write about. What troubled me was how did I know all of that? There's a part of me in Buddy Love. You press the wrong button and I'll show you that other part.

"The human condition is that each of us gets up every morning prepared to seduce the world, so that they accept us and acknowledge us as something important. What I was doing in *The Nutty Professor* was taking a classic story, a comic Jekyll and Hyde, and finding the monster in the man."

But never mind R.L. Stevenson – *for a classic story of this century*, what better than that of Martin and Lewis themselves? The miracle partnership followed by nightmare breakup. Then soaring solo careers.

Lewis hasn't often talked about Martin, but now he decides to. "Dean had the most brilliant comic sense I ever saw in my life. I would say to him after a show or rehearsal, 'How did you know I was going to do that? *I* didn't know I was going to do it'.

"I loved the man. He was the handsome straight man, I was the monkey. I didn't mind. He was my hero.

"But it's inevitable that two factions will separate from such closeness. I broke up the act. I was responsible for it being over. When you have a bombastic individual working alongside you, that's where the eyes go. Jerry this, Jerry that, Jerry the writer, creator, funny guy.

"He needed some identity, to show he could do something without the monkey. Unfortunately it was a terrible, terrible breakup. We didn't talk for 20 years. It's difficult to expound on why it was so ferocious, except that it had to be meaningful to have created that passion."

That each performer found new stardom without the other must have helped. While singer Martin made an art form out of insolent laziness, Lewis the performer-filmmaker took his workaholic perfectionism to new extremes. "I'd rehearse each gag sequence from 9am to maybe 4pm. I'd cover the scene with two or three cameras and usually I'd get it in one take. That was a whole day's work."

From Stan Laurel he learned the value of the slow comic beat, producing near-classic wordless reaction scenes like the Squashed Hat incident in *The Ladies Man* or, in *The Nutty Professor*, the helpless Kelp's audience with his long-suffering headmaster.

From Chaplin, he says, he took his other comic staple – the puncturing of authority – and learned that it should never be mean-spirited.

By the 1980s Lewis had earned his own right to insolent laziness. His praised performance in Scorsese's *The King Of Comedy* was a *stretch from his fans' viewpoint* – the lovable maniac turned unctuous smoothie – but a stroll for Lewis. "Bobby De Niro, Marty and I laughed each morning at the rushes of me as Jerry Langford. They'd say, 'He's right on, right on!' I'd say, 'Was I here yesterday? Did I work? What time was that?'"

Today Lewis is back in semi-manic mode, capering over our stages in the ex-Broadway revival of *Damn Yankees* at London's Adelphi Theatre, opening on Wednesday. "I think of my career as a great white cake and *Damn Yankees* as the cherry on top." Audiences can now see the movie myth live and in person.

I am not sure that I want to sit across a tea table from the movie myth too often. There is a little too much stuff about "pressing the wrong button", and when I raise a query about sentimentality in his work I get a very un-Jerryish four-letter word thrown in among the wisdoms about cynical critics. "'The people who say 'sentimental'," he expatiates, "are the very people trying to hide from it, you included, who won't admit they recognise those feelings."

One thing I happily recognise is a gifted and durable filmmaker. The French are right about Lewis (sentimentality apart); they always have been. Hire a video of *The Ladies Man, The Patsy* or best of all *The Nutty Professor* and you will see how surreal inventiveness and playful fable-making are combined with a grace and control of style and a dazzling colour sense that rivals (as well as sometimes spoofing) the great MGM musicals.

Man behind the myth: 'Each of us gets up every morning to seduce the world'. Brendan Corr

Concert

Too many liberties taken

Christian Thielemann's treatment of Beethoven's *Eroica* Symphony in his Barbican concert with the London Symphony Orchestra last Thursday was so wrong-headed that one must question whether his career has advanced too far too soon. There was no soloist in the programme – just Strauss's *Metamorphosen* and *Eroica* – but Thielemann's pulling power ensured the house was nearly full.

Thielemann has talent. He knows what he wants and, within the limitations of his stiff-backed, bobbing-up-and-down technique, he knows how to achieve it.

What is becoming increasingly apparent – and this must be cause for concern at his record company, Deutsche Grammophon – is that this talent now seems so misdirected. There was a time when Thielemann seemed the inheritor of a noble tradition, devoted to far-sighted and precociously mature readings of the classics. However, success has gone to his head. He now takes such liberties with tempo and dynamics, robbing the music of its organic unity, that credulity is strained to breaking point.

The first two movements of the *Eroica* suffered most. Whenever dynamic markings were reduced, or the thematic and tonal landscape was about to change, Thielemann used it as an excuse to rein back the tempo. The result was a constant toing and froing of speed, with one paragraph taken at an extreme gallop and the next subjected to an exaggerated diminuendo or ritenuto. Fermatas were so lengthy and pronounced that the funeral march came to a complete halt during the coda. Even ignoring such eccentricities, the symphony's grand design could not have survived Thielemann's decision to cut the exposition repeat in the opening Allegro con brio.

The merits of his control got carried away with the dross. He followed "authentic" practice by dispensing with the non-Beethovenian added trumpet notes; the Scherzo had a tingling vitality, *and his decision to divide the* strings on right and left gave the finale's fugal variations uncommon clarity.

The LSO did its best to follow, without managing to conceal *that it found the going heavy* – a judgment that must also apply to the *Metamorphosen*. This was Thielemann's first LSO engagement. It might have been his last.

Andrew Clark

INTERNATIONAL ARTS GUIDE

■ ANTWERP

EXHIBITION
Openluchtmuseum voor Beeldouwkunst Middelheim Tel: 32-3 827 1534
● *Anthony Caro: retrospective* of work by the British sculptor, featuring 40 pieces, many of which are being shown in Europe for the first time; to Aug 17

■ BERLIN

CONCERT
Philharmonie Berlin Tel: 49-30 254 880
● Gewandhaus Quartett: performs works by Mendelssohn, Wolf and Schubert; Jun 3

■ BRUSSELS

EXHIBITION
Musées royaux d'Art et d'Histoire – Tour japonaise et Pavillon chinois Tel: 32-2-7417211
● Samurai: display of decorated swords belonging to Samurai guards, mainly the Tsubai and Kodogui from the Meiji period. The pieces are drawn from a number of collections, including those of Edmond Michotte and Jean-Ernest van den Broeck; to Sep 1
Palais des Beaux-Arts Tel: 32-2-5078200
● Alberto Burri: retrospective exhibition of work by the Italian artist who began painting while a prisoner of war in Texas. Burri uses found objects such as rusted metal and burnt wood in his work; from Jun 6 to Aug 17

■ CHICAGO

EXHIBITION
Museum of Contemporary Art Tel: 1-312-280-2660
● Performance Anxiety: *exhibition featuring both existing* and new installations by artists including Angela Bulloch, Willie Cole, Paul McCarthy and Rikrit Tiravanija; to Jun 8

■ DUBLIN

EXHIBITION
Irish Museum of Modern Art Tel: 353-1-6718666
● The Glen Dimplex Artists Award Exhibition 1997: display featuring works by the six artists shortlisted for this year's award; to Jul 13

■ FRANKFURT

CONCERT
Alte Oper Tel: 49-69-1340400
● Radio Symphonie Orkester Frankfurt: with conductor Eiji Oue and pianist Andreas Haefliger in works by Beethoven and Mahler; Jun 4

■ JERUSALEM

EXHIBITION
Israel Museum Tel: 972-2-6708811
● Empire of the Sultans: Ottoman Art from the Collection of Nasser D. Khalili: exhibition of Ottoman art revealing the artistic heritage of a dynasty which spanned more than six centuries; to Jun 6

■ LONDON

CONCERT
Purcell Room Tel: 44-171-9604242
● Richard Jenkinson: performance by the cellist *accompanied by pianist* Benjamin Frith. The programme includes works by Beethoven, Prokofiev, Bridge and Castelnuovo-Tedesco; Jun 3

EXHIBITION
Tate Gallery Tel: 44-171-8878000
● Hogarth The Painter: exhibition marking the 300th anniversary of the birth of the British painter. His initial fame and influence rested on his popular engravings, but this display highlights his achievements as the leading painter of his age. The Tate's collection is displayed in its entirety together with more than a dozen loans; to Jun 8

THEATRE
London International Festival of Theatre Tel: 44-171-4903964
● LIFT 97: the 9th London International Festival of Theatre features performances by Periodo Villa Villa, Gesher Theatre, Deutsches Schauspielhaus Hamburg, Al-Kasaba Theatre and Alicia Rios. Opening the festival is a special firework display, "un peu plus de lumière (a little more light)", created by French pyrotechnican Christophe Berthonneau, in Battersea Park; from Jun 2 to Jun 29

THEATRE
Queen's Theatre Tel: 44-171-4945040
● Master Class: by McNally. Directed by Leonard Foglia. The cast includes Patti LuPone, Kenneth Hadley, Susan Roper *and Sophia Wylie; to Jul 30*

■ MADRID

EXHIBITION
Palacio de Velázquez Tel: 34-1-573-62-45
● En La Piel de Toro: display of works from Spanish and Portugese artists from the early 1980s to the present; to Sep 8

■ MUNICH

EXHIBITION
Kunsthalle der Hypo-Kulturstiftung Tel: 49-89-224412
● Alberto Giacometti: display of over 60 works by the Swiss sculptor; to Jun 29

■ NEW YORK

EXHIBITION
MOMA – Museum of Modern Art, New York Tel: 1-212-708-9400
● Objects of Desire: The Modern Still Life: exhibition examining the development throughout this century of the still life genre, featuring works by Picasso, Magritte, Miró, Joseph Cornell, Jasper Johns and Christo; to Sep 2
Museum of the City of New York Tel: 1-212-534-1672
● The Streets and Beyond: New York Photographs, 1900-1960: exhibition featuring 70 recently *acquired works chronicling street* life in New York. Photographers include Berenice Abbott, Robert Bracklow, Harold Feinstein, Rudolph Simmon and Hans Vogt; to Jun 8

THEATRE
John Golden Theater Tel: 1-212-239-6200
● Master Class: byMcNally. Directed by Leonard Foglia. The cast includes Dixie Carter (prov end date); to Dec 31

■ PARIS

CONCERT
La Sorbonne Tel: 33-1 42 62 71 71
● Choeur and Orchestre de l'Université de Paris-Sorbonne: with conductor Jacques Grimbert and pianist Marie Josèphe Jude in works by Brahms and Schubert. Part of the Festival de Musique en Sorbonne, at the Grand Amphithéâtre; Jun 3
Musée du Louvre Tel: 33-1 40 20 50 50
● Trios Avec Piano: with pianist Michael Dalberto, violonist Julian Rachlin and cellist Truls Mork, in works by Brahms; Jun 4

EXHIBITION
Galerie Colbert Tel: 33-1-47 03 81 26
● Pascin gravé la nuit: the first retrospective of work by the Frenchman who began his artistic career as a newspaper illustrator. On display are 100 pieces, including prints, engravings and illustrations with an additional display of works by contemporaries; to Jun 14
Musée du Louvre Tel: 33-1 40 20 50 50
● La politesse du goût: display of the collection of Antoine-Joseph Dezallier d'Argenville, a leading personality from French Enlightenment society. The exhibition features 50 drawings, including works by Dürer, Rembrandt, Raphaël and Rosa; from Jun 6 to Aug 25

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Rudolf Buchbinder: the pianist performs works by Schumann, Beethoven and Liszt; Jun 4

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Crisis proportions

John Burton and Peter Montagnon on the implications of North Korea's food shortage

Viewed across a high-barbed wire fence along the heavily fortified border, North Korea appears secure in its mountain fastness. The hill opposite the South Korean army post is dotted with camouflaged bunkers, while hidden speakers blare out propaganda denouncing US imperialists and the "puppet regime" in Seoul.

But Seoul's favourite guessing game – "When will North Korea collapse?" – is taking on new urgency as Pyongyang's food crisis approaches famine. The fate of North Korea answer could prove to be of importance for the region's stability, especially that of South Korea.

Contrary to popular assumptions, most experts believe the leadership of Mr Kim Jong-il will survive the food crisis. Reverence for his father, the late President Kim Il-sung who founded modern North Korea, runs deep in the country's psyche, giving the younger Kim almost the hypnotic power of a cult leader.

Entrenched nationalism and a Confucian respect for authority mean there is little chance of a popular revolution. If the regime is threatened, the challenge will come from the disaffected middle ranks of the military and the bureaucracy, troubled by loss of economic and military strength. Some western diplomats say the risk that Pyongyang might lash out in a military attack on Seoul, though still distant, has increased.

The few travellers to the country report that people are eating wild grass and tree bark to supplement meagre daily rations of as little as 100 grammes of grain – barely a quarter of the normal nutritional requirement for adults. "It's like an entire nation dying of anorexia," says one western diplomat in Seoul. US intelligence reports estimate that 100,000 people have already died from starvation or related diseases this year.

Two years of massive floods dealt a crippling blow to the North's agriculture, already suffering from overworked fields, lack of fertilisers and a shortage of fuel. The country's collapsing economy, which has shrunk at an annual average rate of 4.3 per cent since 1990, has exacerbated the problem.

Most South Korean and US officials predict that the food shortage is certain to become even worse this summer. This could provoke a mass movement of refugees into neighbouring China or bring about political anarchy in North Korea.

The most alarmist scenario is that a paranoid Pyongyang leadership, fearful that the US and South Korea are exploiting the food shortage to eliminate North Korea, will launch a pre-emptive attack against the South. Recent Northern defectors have spoken of persistent rumours that Pyongyang will go to war between July and October.

But the food shortage might equally have positive political consequences. The looming famine has forced North Korea to consider accepting a US-South Korean proposal for peace talks that would bring a formal end to the 1950-53 Korean war. Pyongyang hopes a promise of participation in such talks will lead to increased supplies of free food from abroad.

Much will depend on the international response to the catastrophe, which has until now been meagre because of North Korea's totalitarian system and its dismal human rights record.

Some experts believe the country will prove to be more resilient than expected. "You cannot apply normal rules of analysis to North Korea. Social cohesion is strong because the population, especially the young, is thoroughly indoctrinated in *juche* [national self-reliance] ideology," says Mr Han Park, a Korean-American political science professor at the University of Georgia.

If civil unrest is unlikely, it is possible that military leaders, believing the present leadership to be incompetent, might stage a coup. "North Korea could descend into civil war as rebellious army units fight those loyal to the government," says Mr Aidan Foster-Carter, director of the Korea Project at Leeds University.

However, the younger Mr Kim has been careful to align himself closely to the military since he became leader in 1994. Army generals have risen rapidly in the governing hierarchy recently and Mr Kim has praised the military while castigating officials of the ruling Korean Workers' party.

Kim Jong-il (right) has forged close links with the military

The growing influence of the military worries observers. "If you were a general and you had a choice between seeing your troops starve to death or die gloriously in war, what option would you choose?" asks one US official.

Although a North Korean attack on South Korea is regarded as suicidal by military experts, Seoul – with a population of nearly 11m – is within range of North Korean artillery and missiles. A senior North Korean defector recently warned that Pyongyang was prepared to "scorch" Japan to deter US military reinforcements coming to the aid of South Korea. "How bad would a war be? Just use your imagination," says one US military intelligence officer.

Huge supplies of overseas food aid might defuse the potential crisis. But humanitarian aid being arranged by the United Nations and Red Cross is considered inadequate. The US, South Korea and Japan have offered large-scale food aid, but not until North Korea accepts the proposed peace talks. Pyongyang wants food supplies before agreeing to the negotiations.

"We believe that North Korea should change its national priority to feeding its people first instead of the army," says Mr Ban Ki-moon, the national security adviser to Mr Kim Young-sam, the South Korean president. But an insecure North Korean leadership is likely to regard such a proposal as weakening its defence capability in the face of a perceived US threat. "North Korea is not very confident about its power," says Mr Park.

China, which has emphasised its desire for stability on the Korean peninsula, might provide a way out of the diplomatic impasse by providing food supplies to its North Korean ally.

However, even if famine is averted this year, a similar situation is likely to recur in the next few years. Unless North Korea undertakes drastic reforms akin to those in China or Vietnam, it appears headed for economic collapse. South Korea, which already has foreign debt exceeding $100bn, might then have to pick up a tab it is ill-placed to afford.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e-mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Eastern Europe Marshall Plan would give boost to west

From Sir Fred Catherwood.

Sir, I fear that your views in your editorial "Marshall revisited" (May 29) are much too complacent. Private investment may be part of the answer for the best of the central European economies but such success as they have had cannot be a model for Russia and Ukraine.

Nato won the cold war because it forced the Soviet Union to match every new generation of cold war weaponry, until half its industry was engaged in armaments and the other half could no longer sustain it. But it is not possible for it to convert this huge armaments industry and find jobs for its workers without capital and it is not possible for foreign companies to invest on any scale without a workable system of commercial law which protects their rights.

The last European parliament, after extensive consultations and two public hearings, gave an unprecedented unanimous vote for a Marshall Plan for eastern Europe. Since no western country was prepared to raise taxes to help, the parliament suggested that it be financed by a conversion of western defence industries sufficient to provide the equipment for the conversion of Russian and Ukranian defence plants – a mutual disarmament. And the European parliament suggested that the equipment should aim to build the industries which were needed to enable eastern Europe to earn the hard currency to have a self-sustaining export trade. It pointed out that the Marshall Plan was able to impose the conditions needed for both democracy and an open market economy, both of which were vital for a successful transformation of eastern Europe.

The European parliament asked, in the debate, why Nato now needed to spend $150bn a year on cold war equipment, when there was no similarly equipped opponent and it was clearly no use in the local conflicts like Bosnia.

Now that the UK has a new Labour government, it might like to look again at the immense defence budget and ask what it is for and, we might use our good relations with the Clinton administration to put the same question to them. The Marshall Plan learnt the lesson from the failure of Versailles, and concluded it was wiser to make an enemy into a friend than to add shame to the defeat of a proud and powerful nation.

By contrast, the reward for generosity is an opening up of eastern Europe which should give the same boost to western Europe as the opening of the American west did to the US.

Fred Catherwood,
Sutton Hall,
Balsham,
Cambridge CB1 6DX, UK

Domination that stifles oil industry

From Mr Bob Ward.

Sir, The Offshore Contractors Association blames perceived environmental and safety concerns for the lack of young people attracted to the UK's offshore oil and gas industry, according to your report "Fear over lack of young recruits", (May 27).

However, it fails to recognise that its image also suffers because the sector is overwhelmingly male-dominated.

It is just 10 years since an amendment was required to include the UK continental shelf under the Sex Discrimination Act, after a study for the Equal Opportunities Commission found that there was "widespread – almost universal – discrimination against women" in the UK sector of the North Sea oil industry.

The OCA needs to demonstrate that the prejudice which was rife during the 1980s has been eradicated and that a positive effort is now being made to promote equal opportunities, otherwise the offshore oil and gas industry will continue to struggle in finding young recruits of either sex.

Bob Ward,
7 Stanton Gardens,
Stanton Avenue,
West Didsbury,
Manchester M20 2PT,
UK

Rewards for the bold

From Mr Frank Knowles.

Sir, Lex's contention ("Junk bonds", May 15) that the risks of investing in European high-yield bonds is probably higher than in the US seems ill-thought-out. In fact, the reverse is more probable, as the strong appetite from experienced US investors for recent European issues indicates.

The US high-yield market is relatively mature and so returns have been driven down as investors have competed to buy bonds. In Europe, by contrast, issuers and their advisers must ensure that deals are attractively structured and priced in order to attract investors into an unfamiliar asset class.

As in other markets, the rich pickings seem likely to go to early investors bold enough to invest before competition erodes the high risk-adjusted returns now available.

Frank Knowles,
senior high yield analyst,
Merrill Lynch London,
25 Ropemaker Street,
London EC2, UK

Anti-dumping procedure called into question

From Mr Peter Booth.

Sir, French action on cotton tariffs, as you reported on May 28 ("France reopens wounds on cotton tariffs"), defies belief. Following six months of intense debate analysing all the pros and cons of the original provisional duties on cotton grey cloth imposed by the European Commission, member states voted by nine to six against these duties being imposed for a five-year period. There is no doubt that, had they not voted against this proposal, thousands of jobs in Europe's textile, dyeing, printing and finishing industries would have been at risk.

We now find that, having gone through this laborious democratic process, one country, France, can set about undermining that decision by first of all demanding a second vote and, when that fails, calling for and getting a further inquiry into duties on imported cotton cloth.

This must seriously call into question the whole anti-dumping procedure of the European Union and the undemocratic way in which both the Commission and individual member states can ignore or work against decisions.

There must surely be a better way for the EU to conduct its anti-dumping actions and one which would enjoy support by a majority of member states before and not after provisional duties were imposed.

As for the reopening of this specific case on cotton cloth and the involvement during last week of the French President Jacques Chirac, the German Chancellor Helmut Kohl and EU trade commissioner Sir Leon Brittan, one cannot help but feel that this has far more to do with the French general election than the best trade policy for Europe or the interests of its textile industry.

Peter Booth,
national secretary, textiles,
Transport & General Workers Union,
National House,
Sunbridge Road,
Bradford,
W. Yorkshire BD1 2QB, UK

The smallest of mentions

From Seppo Raisanen.

Sir, In your article "Euroscepticism lifts Séguin hopes" (May 24/25) you quote Mr Philippe Séguin as saying: "The treaty of Maastricht remains a very bad treaty. First because it completely ignores jobs and because it . . ."

Not quite.

The signers of the Treaty on European Union in Maastricht on February 7 1992 put their signatures to a text of whose length 0.03 per cent is dedicated to unemployment.

Seppo Raisanen,
Castel Des Loups,
Les Selves,
Route de Taradeau,
83300 Draguignan, France

Michael Carlson on the sports broadcasting contest

Clash of the TV titans

The record bid of more than $350m by Mr Rupert Murdoch's Fox Television for the Los Angeles Dodgers baseball club adds a local dimension to a star wars being fought via the telecommunications satellites orbiting the globe and cable systems snaking under the earth.

Mr Murdoch's Dodgers would upstage similar sports-related deals by US broadcasting rivals Walt Disney, whose group chairman is Mr Michael Eisner, and Time Warner. Disney purchased the *California* (now Anaheim) Angels baseball team last year, and Time Warner owns the Atlanta Braves baseball club and the Atlanta Hawks basketball team through its purchase of Turner Broadcasting.

But beyond the US, Disney's ESPN network and Murdoch's Fox, Sky, and Star networks are battling for domination in the global sports television market. Worldwide, 250m households receive dedicated sports channels via cable or satellite, and the market is growing rapidly.

The conflict is anchored in the US market. Disney gained ESPN in 1995 in its merger with Capital Cities/ABC. The 24-hour sports cable channel, which reaches more US homes than any other cable station, is immensely profitable.

With an inventory of top-flight sport including the National Football League, National Hockey League and Major League Baseball, as well as the top-rated *Sports Center* news programme, it has sprouted a second channel and come to dominate its erstwhile parent, ABC Sports.

Although few Americans could tell you what the initials stand for (Entertainment and Sports Programming Network), ESPN's brand recognition is so high that Disney has added an ESPN Sports Bar to Disneyworld, and will franchise them across the country. Fox's purchase of National Football League rights has helped establish the Murdoch operation as a fourth leading network in the US together with ABC, CBS, and NBC.

The channel has added leading sports to its FX cable network – like the original ESPN, a mix of entertainment and sports – which now reaches 35 per cent of US homes. And through its merger with Liberty Sports, Fox Sports Network broadcasts a mix of high-profile local events and national sports news on regional sports networks in nearly 50 per cent of the US.

In Europe, Mr Murdoch and Disney battle tangentially. Sky Sports is very successful in the UK and Ireland, while ESPN is a part-owner of the pan-European, multilingual Eurosport. There is speculation that ESPN will increase its share of Eurosport and "brand" it, but the number of national sports channels following in Sky Sports' footsteps makes increased penetration problematical.

"Our strategy is based on one fundamental," ESPN International's Mr David Zucker explained to one interviewer, "delivering the best production values in the business".

> Fox's purchase of National Football League rights has helped establish the Murdoch company as a fourth leading network in the US

Buoyed by its vast inventory of US sport, ESPN uses its domestic coverage of many events to form the core of its international services. Typical are ESPN's two African services, Orbit ESPN (North Africa and Middle East) and ESPN Africa (sub-Sahara), whose content includes a hefty dose of US sport.

Like environmental campaigners, Mr Murdoch's strategy has been to "think globally, act locally". Where ESPN pushes a single brand, Mr Murdoch has Fox, Sky, and Star labels for various areas. Mr Tony Ball, who heads both Fox/Liberty Sports in the US and Fox Sports International, is fond of quoting the mantra of Fox supremo Mr David Hill that "sport is tribal", and speaks of the "killer application" of the big events for each market, with different aims for each.

Mr Ball's FSI operates in the contrasting markets of Latin America and Australia. The latter may be the most competitive sports television market in the world. Fox Sports has two channels in Australia, with Fox Sports 2 devoted to the Super League (rugby league) while Fox Sports offers Super 12 (rugby union), football, golf, and boxing.

ESPN's strategy has been equally effective, using a partnership with two networks and Optus Vision cable to offer Australian rules football, cricket, and US programming.

In Latin America, Ball's first move was to split the network acquired in the Liberty merger into three distinct strands - one for Argentina, one for Brazil, and another for the rest of the region.

Offering the only complete football package available in the country, the Argentine service has doubled its subscribers since November. The Brazilian service, which begins this autumn, is a joint-venture with TV Globo, which dominates coverage of Brazilian football.

Meanwhile, ESPN offers four Latin American feeds, including ESPN Dos, with a heavy baseball content, aimed at Central America and the Caribbean.

Yet the image of the two giants slugging it out worldwide is belied by their co-operation in Asia. This continent is a vast and problematical market.

Apart from Japan, and cricket in the Indian subcontinent, sport does not drive channels in Asia.

"It is a huge area, and no one sport unifies it, as football does in Europe or Latin America," Mr Ball explains.

ESPN/Star Sports Asia is a 50-50 joint venture, in which the two competing services are managed by a single holding company but their channels keep their separate identities. Besides gaining economies of scale, the merger has kept escalating rights fees in check, particularly for cricket.

Anti-trust statutes would make such a joint venture difficult in many parts of the world, but with Murdoch launching JSkyB and ISkyB in Japan and India respectively, and ESPN aiming at eight Asian networks by 2000, it has given both groups breathing space

"Both companies are looking to get the brand out there, but there is plenty of product," says Mr Ball.

"The pie is getting bigger all the time. After all, when I was young you saw sport on the BBC and sometimes on ITV. Now the British viewer is spoilt for choice, and if the boom in viewing is any indication, that's no bad thing."

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Monday June 2 1997

Chirac loses his gamble

When President Jacques Chirac called national elections in France one year early, he was taking a calculated risk with the patience of the French electorate. Last night he appeared to have lost that gamble, and badly.

Instead of returning his centre-right coalition to power in the National Assembly, albeit with a reduced majority, French voters have swung sharply to the left. Mr Lionel Jospin's Socialist party may well be able to govern alone and force "cohabitation" on the president.

It was in many respects a protest vote: a protest against Mr Chirac's apparently cynical manipulation of his presidential prerogative to call an election early, and a protest against the failure to tackle the social ills – unemployment above all – which most concern the population. Those protest votes went not only in favour of the Socialist Party but also to the far right National Front, at the expense of the ruling coalition.

There may have been an element of envy at the way in which the British electorate so decisively voted out the Conservatives and opted for Mr Tony Blair's new look Labour party. Yet Mr Jospin's party does not appear to have reformed itself to anything like the same extent. Indeed, it will be coming to power without a very coherent agenda. But most obviously, the French voters have voted against the government they had. It was a protest against the political establishment.

It is unclear to what extent the vote was also a rebellion against the government's European policies – in particular its determination to introduce the single European currency. Both left and right have united in recent years on that ambition, although with different nuances. Neither side chose to fight the campaign on its European policies, so the result cannot be considered a clear referendum. But it does suggest a general dissatisfaction with the persistent austerity policies pursued over the last decade to achieve the Maastricht criteria.

Mr Jacques Delors, the most popular figure on the Socialists side, remains adamant that a Socialist government will press ahead with economic and monetary union. His colleagues say the same, but suggest they will be inclined to relax the strictest interpretation of the criteria on deficit spending. That would suggest a broad Emu, including even a country like Italy. And that in turn could set the future French government at loggerheads with Germany.

Once again, the French electorate has proved a law unto itself, and delivered a sharp rebuke to political leaders who presumed too much. And it is France, whose vision of European integration most inspired the single currency, whose voters now have raised new doubts about its creation.

Fiscal virtue

The 1990s have been characterised by a marked reversion to fiscal prudence across the developed world. Yet there are growing indications that Organisation for Economic Co-operation and Development countries are polarising between true believers and short-term opportunists – witness the differences in the electoral debates that have just concluded in France and Canada.

As the Canadians go to the polls today, only one party, the New Democrats, stands for old-fashioned interventionism, and it shows no sign of going anywhere much. The remaining parties are committed to building on the Liberal government's impressive programme of fiscal retrenchment, which has helped deliver the lowest interest rates in three decades, a big decline in public borrowing and close to zero inflation.

In France, by contrast, the right of centre has offered only modest economic reform, while the time-warped Mr Lionel Jospin, on the left, is proposing to spend his way out of France's high unemployment and to soften the rigours of the Maastricht treaty. He is not alone, in continental Europe, in promoting this atavistic vision.

In Italy the hardliners in Reconstructed Communism are holding the Olive Tree coalition to ransom over proposed cuts in pensions and social security. Much of public opinion is in sympathy. The row in Germany over the use of creative accounting to meet the Maastricht fiscal criteria has played into their hands, since the increased possibility of delay over the single currency provides an excuse for temporising over spending cuts.

Some fear that the unstated premise in this debate is that Maastricht is a one-off hurdle: Once overcome, fiscal life in Italy will be able to go back to normal, meaning fiscal laxity. This would be disastrous for the country, as would any setback for the prospect of a single currency. Italy, along with the other more heavily indebted aspirants to monetary union, stands to be penalised by higher debt-servicing costs from the moment the markets conclude that the project is likely to fail.

In spite of the general reduction in budget deficits, the outstanding public sector debt stock of the more heavily burdened countries is only now beginning to fall. This matters because it is debt that dictates long run rates of interest rather than deficits. If today's real rates of interest are high relative to the 1960s it is precisely because debt levels are higher. And if real rates are to come down, facilitating a return to higher rates of economic growth, the process of fiscal consolidation has to continue – with or without Maastricht.

Slav relations

The friendship treaty signed by President Boris Yeltsin of Russia and President Leonid Kuchma of Ukraine at the weekend is an overdue recognition of reality. Whether Russian nationalists like it or not, Ukraine has existed as an independent entity since the collapse of the former Soviet Union in 1991. The treaty commits both sides to respecting each other's territorial integrity, and confirms that the existing border between them cannot be changed. That is a vital step to regional stability.

Mr Yeltsin had postponed his trip to Kiev no fewer than six times over the past two years, as Moscow sought to avoid facing up to reality. The key to a deal was the agreement last week on the disputed ownership of the once mighty Black Sea fleet and its base in the Crimean port of Sevastopol. A sensible compromise seems to have been reached. Ukraine will keep less than one-fifth of the fleet, while Russia will pay for its use of the harbour, with a lease running, initially, for just 20 years. The annual rent will be set against Ukraine's repayments of its energy debts to Russia, estimated (by Moscow) at \$3.5bn.

In effect, Ukraine is paying hard currency for recognition of its national sovereignty. Russia is conceding its claim to the Crimea in exchange for the lion's share of its rusting navy. It is not an easy deal for either side, and their parliaments could yet reject it. They would be foolish to do so.

Ukraine has been sensible in its security relations with its neighbour. It has renounced the nuclear weapons left on its territory, and transferred them back to Russia. And it has not openly sought membership of Nato, knowing that would infuriate Moscow. Instead, it is developing the closest possible Partnership for Peace relationship with Nato short of membership. So far, so good.

Moscow remains the dominant partner in the relationship between these two Slav nations, but it should not try to bully. Both are in a sorry economic state. What they need most is to revive their trade relations and liberalise their economies. They are each other's natural market places, and each needs the other to be prosperous.

On that score, Russia has made the most progress, in spite of its own confused reform process. Ukraine retains a state-dominated and corruptly regulated economy, which shrank by 10 per cent in 1996 and continues to contract. Liberalising reforms have come to a standstill. Mr Kuchma must use his deal with Russia as an opportunity to resume that reform process. For sovereignty without prosperity could prove short-lived indeed.

Dogfight over funding

Ministers will this week try to break the impasse over finance for the much-delayed Eurofighter project, says Bernard Gray

A huge European project stands on the brink of extinction because of deep problems with the German government's budget. The project in question is not the euro, but the Eurofighter, a £40bn (\$65.2bn), four-nation attempt to build a next-generation combat jet for the British, German, Italian and Spanish air forces.

Meetings this week could decide the fate of the aircraft, which has the mixed fortune of being Europe's largest industrial programme: a 20-year defence engineering effort equivalent to the construction of four Channel tunnels. If there is agreement, contracts for production of the Eurofighter could be signed quickly; if talks fail, the much-delayed programme will slide further towards oblivion.

On Wednesday, when Mr George Robertson, the new British defence minister, meets Mr Volker Rühe, his German counterpart, Eurofighter will be top of the agenda. On Friday, Mr Tony Blair, the new British prime minister, will meet Mr Helmut Kohl, the German chancellor, for their first one-to-one summit. Eurofighter will also be on the agenda here, with Mr Blair likely to urge Mr Kohl to resolve the impasse over the aircraft.

Eurofighter is in trouble for much the same reason that the euro is under pressure. Germany's ballooning budget deficit threatens to go through the 3 per cent of gross domestic product ceiling set by the Maastricht criteria, thereby excluding the country from European economic and monetary union. To head off the threat, Mr Kohl has been cutting budgets: defence, never a popular area for spending in Germany, has been shorn of DM2bn (\$1.1bn) in 1997.

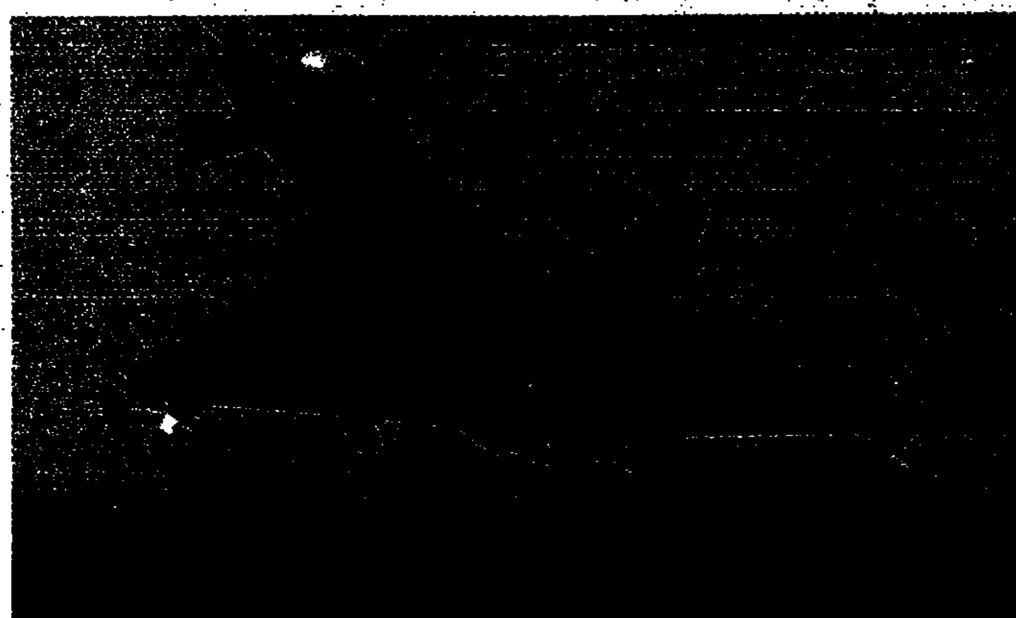
According to Mr Rühe, this means that Germany cannot afford to proceed with the next phase of the Eurofighter unless more money is found from elsewhere in the federal budget.

Eurofighter needs additional cash because the programme has reached one of its critical points. Funding for the £12bn development phase of the aircraft is in place, and the programme itself is well advanced. The principal companies involved – British Aerospace, Daimler-Benz Aerospace, Alenia of Italy and Casa of Spain – are ready to set up the production lines to manufacture the finished aircraft.

However, building the factories and buying the tooling needed for manufacturing will cost the partners £4bn over the next four years. This bulge in spending coincides with the squeeze needed for Emu.

Germany's share of this so-called production investment spending is a little more than DM3bn: a relatively modest sum by the standards of the programme. The shortfall in the defence budget to pay for it is an even smaller DM2bn, spread over four years.

Mr Rühe, keen to protect his budget from further attack, has said he will axe other defence programmes if he has to find that DM2bn. To make his point he threatened to pull out of the Helios II spy satellite programme with France, a project close to Mr Kohl's heart. He also suggested that the additional Eurofighter funds should come from the treasury, in the knowledge that Mr Theo Waigel, the finance minister, has his political power base in Bavaria where most of the German Eurofighter money is spent.



Total cost: £40bn
of which... Development: £12bn Production investment: £4bn

	Share of work		Employment	
	Share of production work	Planned aircraft purchases	Direct	Indirect
UK	38%	230	20,000	20,000
Germany	30%	180	20,000	20,000
Italy	20%	130	17,500	17,500
Spain	12%	87	17,500	17,500
Total	100%	627	75,000	75,000

Source: BAe

Yet the chancellor and the finance minister are under such pressure over Emu that the tactics have not worked. German participation in Helios II has been postponed, while Mr Waigel's early offer to split the difference with Mr Rühe and find an extra DM1bn for the programme was withdrawn.

These machinations prevented Germany fulfilling its promise to the partner nations that it would unblock Eurofighter funding in the first quarter of this year. Now, with the row about German revaluation of gold reserves escalating, it has become even more difficult for the government to agree spending on a huge defence programme.

Yet further delay will greatly upset Germany's Eurofighter partners, all of which are keen to finish the job. Britain in particular has been pressing Germany to get on with the next phase, and the Labour administration has confirmed that it will back the programme on the same basis as the outgoing government.

Senior British ministers have written to their German counterparts assuring them that the UK's support for Eurofighter is unchanged, and that the aircraft has been exempted from the defence review just begun.

Mr Kohl thus faces escalating pressure on both sides. His bind is made tighter because further delay could cause the programme to unravel. If the issue drifts into the autumn, skirmishing ahead of Germany's 1998 federal elections will have started. Many believe the Eurofighter question could not be resolved under those circumstances, further postponing the decision on the project by 18 months to two years.

Even if the programme were approved then, Eurofighter's industrial partners say that keeping the teams of engineers waiting would add substantially to costs. Critically, it would also further delay the date by which Eurofighter could be exported. Given that the aircraft is already hideously late, the partners can scarcely afford more delays if they hope to recoup their investment through export sales.

Were a production agreement signed tomorrow, Eurofighter would still not be available for export until 2005. By then the next-generation US Joint Strike Fighter will be about five years away from full US production, and non-US buyers will be considering it. Eurofighter's partners would have to move fast to persuade potential customers to buy rather than wait for the next model along; another 18-month delay now would sharply narrow the slender export window.

Germany's partners are particularly exasperated because potential export customers are keen. The United Arab Emirates, which is looking for up to 80 combat jets, recently put Eurofighter back on the list of contenders having earlier rejected it. Norway has narrowed its choice to Eurofighter or the Lockheed F-16. Australia and Saudi Arabia are also said to be interested.

Given those prospects, the other partners could elect to press ahead without Germany, or decide to move on and include the Germans as sub-contractors later if they do eventually decide to buy. If they do, the implications for the rationalisation of the European defence industry, and for Daimler-Benz, would be serious.

At worst, the programme might not survive the shock. The likely result of this would be that all of Europe's air forces would buy US jets, with its companies acting as final assembly plants for the US aerospace giants. Even if Eurofighter survived with three partners, the loss of Germany would wound rationalisation efforts, since the aircraft is one of the few axes around which consolidation of the defence aerospace sector can turn.

On present planning, Eurofighter and Airbus will account for the vast bulk of both BAe and Daimler-Benz Aerospace's turnover in the early years of the next century. Bringing the two companies together would make management of their civil and military businesses easier, and sharply reduce costs by eliminating duplication. Talks to this end have begun. However, if Daimler-Benz were out of Eurofighter, or if it were a Johnny-come-lately minor partner, large areas of potential overlap would disappear, and BAe might look for partners elsewhere.

With Mr Kohl keen to respond to Britain's newly positive approach to Europe, and with the pressure to prevent an industrial pile-up mounting, Mr Waigel and Mr Rühe have been encouraged to cut through the bind in time for this week's summit. Advisers close to the German defence ministry suggest that a way out may have been found, though no firm deal has been struck.

A proposal being mooted in Bonn suggests the following. From the year 2000, Daimler-Benz is due to repay the German government launch aid it received for development of the current generation of Airbus airliners. If those payments were accelerated to next year, it would increase German government income, giving it more room for manoeuvre. The vanishing DM1bn might reappear from Mr Waigel's budget, together with modest cuts in the defence ministry's spending on ammunition and Leopard tanks. Add some political will from the chancellor, and a way forward might have been found.

But all sides are keen to stress that this is not yet a solution. None of the German participants has agreed and, even if the outline proposal is presented to Mr Blair on Friday, it would still need approval by the German cabinet, probably next month.

The proposal would also need ratification by the German parliament, which has been very hostile to the Eurofighter in the past. A vote could take place in September, though with the Free Democrat party – a small but vital element of Mr Kohl's governing coalition – tilting towards hostility to the aircraft, the outcome would be close.

If Mr Kohl does put the proposal forward this week, it will have been in response to an uncomfortable set of forces and the timing of the summit. But the chancellor would still have his work cut out to convert the idea into a funded fighter. Five years ago Eurofighter stood at the brink of extinction and survived; it has not yet repeated the trick.

OBSERVER

Envoy falls by wayside

■ Italy's presence in neighbouring Albania seems cursed. The latest mishap was the summary dismissal yesterday of career diplomat Manfredo Incisa de Camerana as ambassador to Tirana within two days of his appointment, after publication of a newspaper interview, which the unfortunate diplomat claims was off the record. In it, he criticised outgoing Italian ambassador Paolo Foresti for being too political and dropped a barbed comment about a general just named as Italy's special co-ordinator for Albania, who is said to be much admired by premier Romano Prodi.

This was too much for a government which had been pushed by cross-party pressure into withdrawing Foresti from Tirana after the local newspaper Indipendent published the text of an embarrassing phone conversation he had with a backer of hardline President Sali Berisha. In the conversation, never fully denied, Foresti seemed to favour the president's party at a time when Italy is meant to be neutral – and when the Prodi government anyway feels more comfortable with the Socialist premier Bashkim Fino.

Indipendent also sabotaged the possibility of diplomat Alfredo Matacotta Cardella replacing Foresti. It argued that now – with 3,000 Italian troops on Albanian soil – was not the time to send as chief emissary the grandson of Mussolini's ambassador in Tirana during Il Duce's ill-fated invasion of the Balkan state.

Never say mai

■ The Organisation for Economic Co-operation and Development may have bitten off more than it can chew in trying to write global rules for foreign direct investment. Since the grand plan was hatched two years ago, negotiators have little to show for thousands of man-hours haggling over how to put it into effect.

OECD ministers had expected agreement in time for their annual meeting last week, but bowed to the inevitable and extended the deadline by another year. Some officials doubt whether that will be enough. Apart from the technical obstacles, the US, the prime mover, seems to have cooled on the idea while other countries are said to be trying to reopen issues already agreed.

Perhaps the negotiators should have been warned by the difficulties in finding a name for the project. The US got the original title, the Multilateral Investment Agreement, changed, arguing that most Americans would think the initials stood for Missing In Action. The new moniker, the Multilateral Agreement on Investment, hardly seems a more auspicious choice. As one negotiator points out, "mai" is Italian for "never".

Budget barb

■ A pork barrel punch-up is going on in the Philippines over the treasured right of politicians to have a big slice of public spending to distribute in their constituencies: a new road here, a hospital there, depending on which voters need to be wooed or rewarded. Budget and management secretary Salvador Enriquez wants to cut these "congressional initiatives" by 25 per cent.

"It is no wonder people call them 'Tongressmen'; they always have tong [slang for bribe] in mind," says a defiant Enriquez of lower house politicians – the language of Philippine politics is nothing if not direct. He says cuts have to be made after Congress approved big spending increases. Congressmen aren't accepting the logic or the language, and are threatening to take the issue to the Supreme Court.

The stage seems set for a high-profile peace-making intervention from President Fidel Ramos himself. So will he allow the pork barrels to keep on rolling? We'll see.

Dizzy heights

■ Officials in Alberta have a mountain of a problem. After complaints from the local Chinese community, the government has decided to change the name of Chinaman's Peak, in the foothills of the Rockies, so called because in 1896 a Chinese labourer for Canadian Pacific Railway scaled it for a bet. The government is seeking a more acceptable name. Alberta is also the home of Red Man Mountain, Stoney Squaw Mountain and White Man Pass, but the province's geographical names programme co-ordinator says these monikers won't be changing unless "enough" people complain.

Bird of passage

■ A runway at Cairo airport was blocked for 45 minutes yesterday when a flock of falcons gathered over the body of a comrade, which died after getting caught in the engine of a private plane. Firemen had to disperse the birds and remove their fallen friend before national carrier Egypt Air's symbol – a falcon – could get moving again.

Financial Times

100 years ago

A Cigar Rolling Machine

We recently described the merits of an ingenious invention called the Keyes-Baker Cigar Rolling Machine, and the patent is now before the public as a joint-stock company with a capital of £200,000. The American rights were sold last year for £85,000 and the Australian patents were also sold for a good figure. It is claimed that, while by the usual process of hand-making a skilled workman can turn out only from 500 to 600 cigars a day, a girl with only three weeks' training can manufacture with this machine from 1,500 to 2,000 cigars.

50 years ago

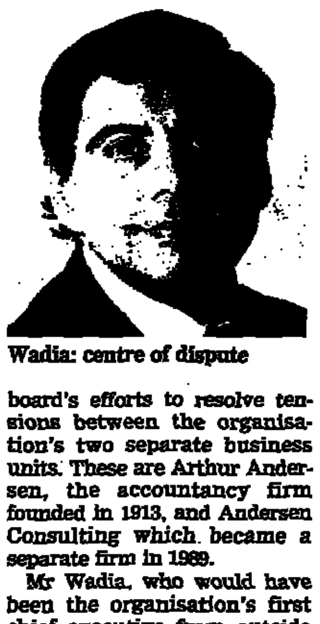
Financial Times By Air

As from 16th June, copies of the Financial Times will be flown daily in bulk to New York, where special arrangements have been made to post them on to our readers throughout North America who may wish to avail themselves of this new service. Copies will be wrapped, addressed and stamped with U.S. postage stamps before leaving London so that no delay whatever will occur in posting in New York.

FINANCIAL TIMES
Monday June 2 1997

Andersen candidate rejected by partners

By Jim Kelly



Wadia: centre of dispute

Partners of Andersen Worldwide, the world's largest professional services organisation, have begun an open dispute over the choice of a successor to the current chief executive by rejecting the candidate put forward by the board.

Mr Jim Wadia, head of Andersen's UK accountancy arm, won a majority of votes cast by the firm's 2,700 partners in 80 countries. But he failed to secure the required two-thirds majority.

The board will announce today that it is now putting forward Mr George Shaheen, managing partner of Andersen's global consultancy business. Last month it rejected Mr Shaheen in favour of Mr Wadia, despite indications that the former was preferred by many partners.

"George Shaheen has demonstrated exceptional leadership as the head of Andersen Consulting," said a board spokesman in New York.

The rejection of Mr Wadia's candidacy undermines the board's efforts to resolve tensions between the organisation's two separate business units. These are Arthur Andersen, the accountancy firm founded in 1913, and Andersen Consulting which became a separate firm in 1989.

Mr Wadia, who would have been the organisation's first chief executive from outside the US, was closely identified with an internal report which urged partners to preserve a single organisation under the Andersen umbrella. This strategy was overwhelmingly endorsed at a partners' meeting in Paris last month.

But the rapid growth of the consultancy wing has led to "turf wars" between the two businesses. While accountancy revenues are growing at around 12 per cent a year, consultancy is producing an annual growth rate of 22 per cent. Andersen Consulting has also begun to outstrip its more traditional sister firm in terms of absolute revenue.

The board, which has an inbuilt majority from the accountancy side, selected Mr Wadia from a shortlist of two.

The other was Mr Shaheen, who is understood to have won more support than Mr Wadia during informal ballots in Paris. He would be likely to institute reforms such as changing the rules for "income support" which channel profits from the consulting business to the accountancy side.

Mr Shaheen would be the first chief executive from the consulting side. If successful he would replace Mr Larry Weinbach for a four-year term after he steps down in September, having been in office since 1989.

Russia municipal bond plans cheered by Moscow success

By Edward Luce

International investors have given Russia's first municipal bond an unexpectedly warm welcome, encouraging other Russian cities and regions to bring forward their debut bond issues.

The city of Moscow's three-year \$500m offering last week was priced to yield 3.15 percentage points over US Treasury bonds. But strong investor buying on the secondary markets has since brought it down to just 2.8 percentage points over Treasuries – a premium in line with more established emerging market borrowers such as Argentina, Poland and the Philippines.

Analysts attribute the success of the issue, prompting Moscow to consider a second \$500m offering later this year, to the city's budget surplus and a growing foreign appetite for Russian bonds.

"We were taken aback by the scale of enthusiasm from quite traditional and conservative US and European investors for this offering," said an official involved in the issue.

Russian issuers now expected to come to the market during June include the city of St Petersburg, which will issue a \$300m debut eurobond in the next fortnight, and Nizhny Novgorod, which will issue a five-year \$100m bond. The Russian Federation is also planning a second dollar offering of more than \$500m.

Several regions, including Sverdlovsk, Perm, Samara and the republics of Tatarstan and Komi, hope to follow suit between July and September. Investors are also awaiting a large eurobond from Gazprom, Russia's gas giant, which could total more than \$1bn.

"Investors are excited about Russian paper because the spreads on offer fully compensate for the risks attached to holding Russian debt," said Mr Robert Thomas, head of international fixed interest at AMP Asset Management in London. "But Russia should be careful not to flood the market with too many issues. This could lead to failures."

Russia's Ministry of Finance is reported to be planning to tighten the rules on which Russian borrowers are allowed to tap overseas debt. Currently, municipal or regional borrowers must be net contributors to the Russian budget.

Borrowers must also limit their foreign currency liabilities to 30 per cent of total borrowing, and cap debt interest payments at 15 per cent of their budget, which has limited the number eligible to nine. Analysts believe tighter rules could cut the number hoping to borrow further although the restrictions do not apply to corporate issuers.

French left sweeps back to power

Continued from Page 1

night added his voice to calls for a change of approach on Europe.

The Sofres institute's updated exit poll projected that the Socialists and their closest electoral partners would alone win 286 seats out of the 577 seat National Assembly. The same poll predicted 36 seats for the Communists and nine for the left-leaning Greens, to give the combined left 331 seats.

The centre-right saw its 464 seats in the last parliament shrink to a total 245, according to Sofres.

The far-right National Front appeared to have won the southern port city of Toulon, giving it parliamentary representation for the first time since 1988.

Leading rightwing politicians blamed defeat on their poor campaign, which was left rudderless following Mr Alain Juppé's decision to stand down as prime minister in the wake of the centre-right's surprisingly poor performance in the first round of the election on May 25.

Moi turns down calls for reform of Kenyan constitution

By Michela Wrong

Kenya's President Daniel arap Moi yesterday rejected demands for constitutional reform before the country's second multi-party elections and continued a weekend crackdown on the opposition.

Four leading opposition activists were placed under house arrest, following rioting and looting on Saturday which embarrassed Mr Moi while he was playing host to President Benjamin Mkapa, his Tanzanian counterpart.

Mr Moi told 10,000 spectators at the annual Madaraka (Self-Rule) rally in Nairobi that the atmosphere in the country was "not conducive" to reforming the constitution, which critics say heavily weights the electoral system in the ruling Kanu party's favour.

"Such discussion can only be held meaningfully after the general elections," he told the heavily-policed rally.

Those detained included Mr Raila Odinga, head of the National Development Party, Mr Kenneth Matiba, chairman of Ford-Asili, Mr Michael Wamalwa, the head of Ford-Kenya, and Mr Paul Muite, a member of the Safina party, still struggling to be registered before the elections.

They were among a group of opposition and church leaders who had staged an officially-banned rally in Nairobi's Uhuru Park on Saturday to call for constitutional changes before the elections, due to be staged by the spring of 1998.

They were released at the end of the rally, an opposition leader said later.

Although only a couple of thousand demonstrators attended the rally, the Kenyan authorities responded with tough tactics, bringing in thousands of armed troops and police, sealing off the town centre and ringing strategic sites such as parliament and the national radio station.

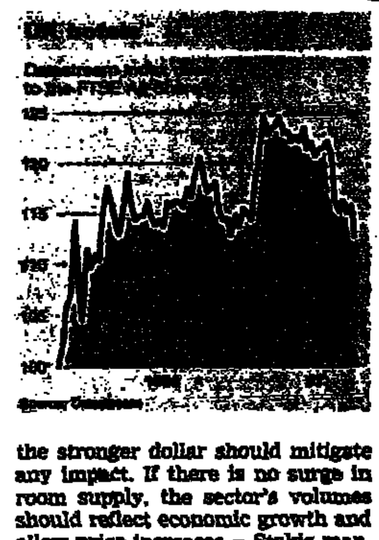
Tear gas was fired to disperse the protestors and during the six hours of rioting that followed scores of shops were looted and cars stoned. Security forces and demonstrators fought running battles.

As elections approach, Kenya's divided opposition, church and civic groups have stepped up their calls for a range of key laws to be repealed, the presidentially-appointed electoral commission to be reconstituted and the state-dominated broadcast media to be liberalised.

Since promising a constitutional review in 1993, Mr Moi has steadily backtracked and now argues time for reform is too short ahead of the polls.

THE LEX COLUMN

Gencor goes global



News that Gencor is considering splitting and listing its base metals activities in London comes as little surprise. The burning ambition to be in the first rank of global mining companies is no secret. But this desire has been frustrated, partly by exchange controls and partly by lack of access to international equity markets – Gencor investors are still predominantly South African. The London listing and the issue of new equity would provide the financial firepower necessary if Gencor is rank with groups like Rio Tinto, BHP and the wider Anglo American group.

Whether by acquisition or disposal, Gencor's management has been an aggressive guardian of shareholder value. This initiative should be no exception. But it is by no means the final piece in the jigsaw. With the South African mining sector in a ferment of reorganisation and new groups in a frantic scramble for assets, there are myriad opportunities for an unsentimental vendor like Mr Brian Gilbertson, Gencor's chairman. At the right price, he may well choose to sell Gencor's gold and platinum operations, which do not match the standard of its other assets. The result? A London based mining group, with large South African investments. Mr Gilbertson would not complain.

UK hotels

After last year's feast of hotel flotations, indigestion was inevitable. After all, if so many hotel groups think it a perfect time to sell shares, it is reasonable to assume prices are peaking. So both Thistle and Jarvis are now below their issue prices, and Stakis has slumped in recent months. .

The malaise has been driven by fear that more hotel rooms and the stronger pound will knock profits. Certainly, the main cause for recent hotel cycles was a surge in room supply coinciding with an economic slowdown. But current fears look overdone. London room supply is unlikely to grow more than 2 per cent a year in the next three years. And much of that will be away from the central London properties of the listed hotel groups.

Moreover, there has been little development outside London, except in the budget sector – most early 1990s developments are still making lousy returns on investment. As for sterling, there is no sign of any knock-on effect yet, and the stronger dollar should mitigate any impact. If there is no surge in room supply, the sector's volumes should reflect economic growth and allow price increases – Stakis managed an 11 per cent increase in room rates in the first half. And these businesses have substantial operational gearing. When Forte shares peaked in 1991, its enterprise value was over 12 times prospective earnings before interest, tax and depreciation. The UK sector is one third lower and should offer some upside.

Real-time auditing

Why wait for the year-end to get your figures checked? According to accountants KPMG, 60 per cent of a company's audit can now be carried out before the end of its financial year. Better technology is helping to drive this change. But so is a switch from looking merely at financial numbers to examining the processes that produce those numbers. Auditors argue that if they are happy with the way a company's systems and processes work they can be more confident about the financial results it spits out.

This concept, loosely called real-time auditing, should bring enormous benefits. By producing better data more quickly, it will help managers and investors make more informed decisions. It should allow companies to nip problems in the bud, particularly in fast-moving markets like financial derivatives. And it ought to catch systematic deceptions like the one at DIY-retailer Wickes, where supplier rebates were being prematurely booked as profits.

As real-time auditing throws up more information about how companies work, investors will need to focus on which bits are actually relevant. For British Airways, say, load factors and customer satisfaction are more important drivers of the share price than the balance sheet value of its land and buildings.

One idea circulating in the US, therefore, is for companies to publicise all their operational data on the internet, allowing people to pick out what they need – but this raises big competitive problems. A more practical approach might be to develop a series of key performance indicators to replace or supplement current statutory financial statements. This will not happen overnight: re-training managers, investors and regulators will be a huge task. But the prize would be a set of accounts giving a much better picture of a company's value.

Venture capital

The restructuring of UK industry has been a boon to venture capitalists, as they have bought up, cleaned up and floated off the neglected bits of large companies. Now that the drive for focus is sweeping across Europe, the buy-out specialists are crossing the Channel; Schroder Ventures has just launched Europe's first \$1bn private equity fund.

And they are promising mouth-watering returns. Schroder Ventures, CINVen and CVC Capital Partners have all been generating compound annual returns of 25 per cent or more, compared with the 14 per cent a year produced by Europe's stock markets over the past decade. Some of the extra sparkle comes from gearing up transactions with debt. But the return over quoted equities still looks excessive, considering the limited additional risk. After all, these funds have a wide spread of investments and tend to concentrate on established, if undermanaged, businesses rather than blue-sky start-ups.

Why, then, are venture capitalists not inundated with money and competitors? A possible reason is that there are not enough deals around. More likely, UK and European institutions are still too timid – most allocate less than 5 per cent of their funds to "alternative" assets such as venture capital, against the 15 per cent typical for US money managers. Tellingly, 49 per cent of the new Schroder Ventures fund – a European fund launched by a UK house – was snapped up by North American investors.

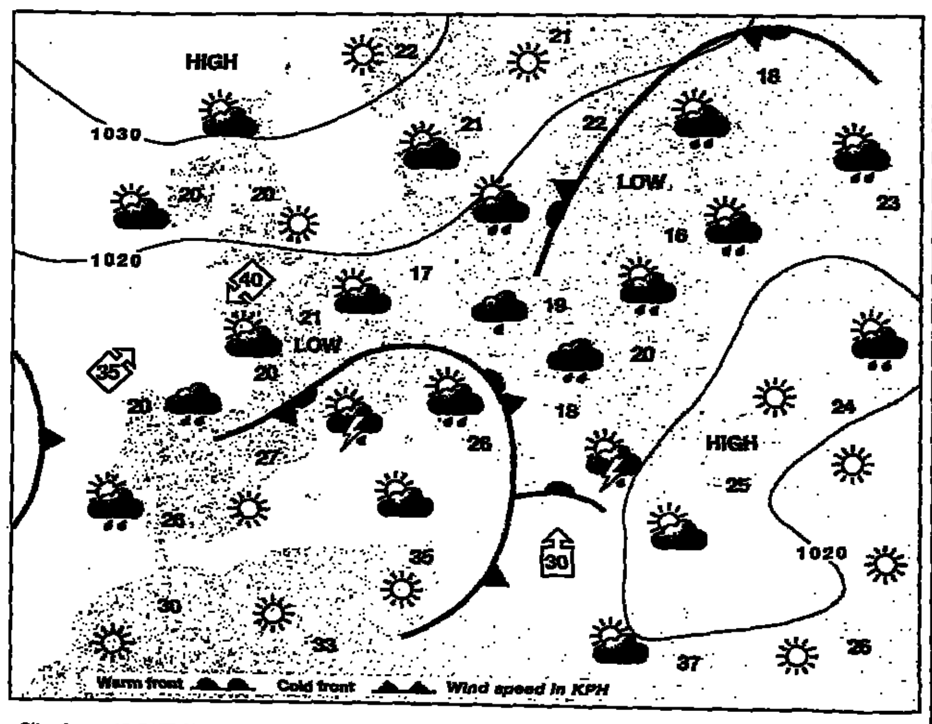
FT WEATHER GUIDE

Europe today

Scandinavia will be fine with abundant sunshine. The British Isles will be dry with bright sunny spells, but southern-most England will be cloudy with occasional light rain. There will be sunny spells in Germany, the Benelux and northern France. Southern France and the Alps, however, will be mainly cloudy and showers are likely. Rain is expected in northern Spain and Portugal. The southern Iberian peninsula should be sunny and dry. Italy and western Greece will have showers and thunderstorms. Eastern Greece and Turkey will stay dry with plenty of sun.

Five-day forecast

Southern Scandinavia, the British Isles, the Benelux and Germany will continue dry with sunny spells. More showers are expected in Italy and the Balkans. Spain and Portugal will become unsettled with widespread showers and thunder storms.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius									
		Beijing	sun 26	Caracas	shower 31	Faro	fair 21	Madrid	fair 23
		Belfast	fair 19	Cardiff	fair 20	Frankfurt	fair 23	Majorca	sun 24
Abu Dhabi	sun 38	Belgrade	rain 19	Casablanca	sun 22	Geneva	rain 19	Malta	fair 25
Accra	shower 31	Berlin	fair 20	Chicago	sun 20	Gibraltar	sun 24	Manchester	fair 19
Algiers	sun 21	Bermuda	fair 28	Cologne	fair 22	Glasgow	sun 20	Manila	fair 35
Amsterdam	sun 20	Bogota	thund 19	Dakar	sun 27	Hamburg	sun 20	Melbourne	fair 16
Athens	fair 25	Bombay	fair 34	Dallas	fair 30	Helsinki	sun 21	Mexico City	shower 25
Atlanta	shower 24	Brussels	fair 21	Delhi	sun 30	Hong Kong	fair 30	Miami	shower 31
B. Aires	fair 19	Budapest	shower 20	Dubai	sun 35	Honolulu	fair 31	Milan	rain 19
B.ham	sun 20	C.hagen	sun 18	Dublin	fair 17	Istanbul	fair 23	Montreal	cloudy 23
Bangkok	thund 37	Cairo	sun 31	Dubrovnik	thund 21	Jakarta	shower 32	Moscow	rain 17
Barcelona	fair 22	Cape Town	fair 20	Edinburgh	cloudy 14	Jersey	cloudy 18	Munich	fair 20
						Karachi	sun 37	Nairobi	fair 25
						Kuwait	sun 45	Naples	shower 24
						L. Angeles	sun 27	Nassau	shower 31
						Las Palmas	fair 25	New York	rain 18
						Lima	fair 23	Nice	thund 22
						Lisbon	fair 22	Nicosia	sun 28
						London	sun 21	Oslo	sun 23
						Lux.bourg	fair 20	Paris	fair 21
						Lyon	thund 24	Perth	rain 19
						Madeira	shower 22	Prague	fair 19

Rangoon	thund 30
Reykjavik	fair 14
Rio	thund 23
Rome	thund 26
S. Frsco	fair 22
Seoul	fair 22
Singapore	fair 33
Stockholm	sun 21
Strasbourg	fair 22
Sydney	fair 16
Tangier	sun 22
Tel Aviv	sun 26
Tokyo	rain 21
Toronto	cloudy 19
Vancouver	rain 16
Venice	rain 20
Vienna	cloudy 21
Warsaw	shower 16
Washington	shower 26
Wellington	shower 14
Winnipeg	shower 27
Zurich	rain 19

FINANCIAL TIMES
COMPANIES & MARKETS
Monday June 2 1997
Week 23

IN BRIEF

Brokers challenge Reuters' system

A group of London foreign exchange brokers are joining forces to challenge the threat to their business from Reuters' electronic trading systems. Four of the biggest foreign exchange "voice brokers", who match buyers and sellers over the telephone, said they would launch an electronic broking system aimed at automating confirmation of deals in the $1,200bn-a-day currencies market. Page 24

Cathay Pacific counts cost of disruption
Disruption caused by problems with Rolls-Royce engines on its Airbus A330-300s is likely to cost Cathay Pacific HK$120m to HK$150m ($15.5m to $19.4m), according to the Hong Kong-based carrier. Cathay described the forecast as "a preliminary first estimate" and said it did not take into account the possibility of compensation from Rolls-Royce. Page 25

Bank Leumi lifts profits by 46%
Bank Leumi, Israel's second largest banking group, said a tight hold on costs helped lift profits by 46 per cent to Shk162m ($47.6m) in the first quarter of 1997. The results followed the successful offering last week of more than 15 per cent of the bank's equity on the Tel Aviv Stock Exchange as part of the government's privatisation programme. Page 25

Singapore Telecom earns $1.16bn
Singapore Telecommunications, the city-state's largest company, announced an 11.6 per cent increase in annual profits in spite of losing part of its monopoly during the year. A 12.5 per cent rise in international direct dial traffic helped offset narrower margins. Group net profit in the year to March 31 was S$1.66bn ($1.16bn) on turnover of S$4.42bn, up 10.6 per cent. Page 24

Scottish Media to buy Grampian TV
Scottish Media, the company that owns Scottish Television and the newspaper group Caledonian, has agreed in principle to buy Grampian, its Scottish ITV neighbour, in a deal worth more than £100m ($163m). Page 24

UK group links with Hewlett-Packard
Chiroscience, the UK pharmaceuticals developer, has announced that its Darwin Discovery subsidiary is to collaborate with Hewlett-Packard of the US to create a system for DNA analysis. Mr John Padfield, chief executive of Chiroscience, said the system would allow a 100-fold increase in the speed of DNA analysis. Page 24

Approval for Enel telecoms venture
The Italian treasury has given the go-ahead to Enel, the state electricity utility, to form a joint telecommunications company in partnership with Deutsche Telekom. The new company will have an initial capital of L200bn ($118m) and will be 51 per cent controlled by Enel, with the remaining 49 per cent held by Deutsche Telekom or its DT Mobil subsidiary. Page 25

Repsol to spend $345m in Argentina
Repsol, the privatised Spanish oil and gas group, plans to increase its stake in the Latin American market by spending $345m on holdings in Argentina. Respol said the deal would give it control of 700 service stations, accounting for about 15 per cent of the Argentine market. The purchases would lift the group's Latin American refining capacity and raise its production of asphalt and lubricants. Page 25

BT to launch VPN service in Hong Kong
British Telecom is to become one of the first foreign operators to launch a virtual private network service in Hong Kong. The move follows agreements made during the World Trade Organisation accord on telecoms in February. The UK carrier has pledged to launch its service by the end of July. Page 24

Israel Corporation in the red
Israel Corporation, the country's leading investment group, fell into the red in the first quarter with losses in the shipping and oil refinery divisions. Net losses amounted to Shk35.8m ($10.5m) against a profit of Shk40.2m in the same period last year. Page 25

Halifax could start trading near 800p
Shares in Halifax are expected to begin trading at more than 700p – and possibly nearer 800p ($13) – when the former mutually-owned savings and loan organisation starts life as an £18bn bank today in the UK's largest ever stock market introduction. Page 24

Indian teleco lifts profits by 23%
Videsh Sanchar Nigan (VSNL), the telecommunications company whose recent $527m global depositary receipt issue was India's largest ever international share offering, lifted net profits by 23 per cent to Rs5.03bn ($141m) in the year to the end of March. Page 24

Companies in this issue

Market Statistics http://www.FT.com

Collapsed life assurer's sister companies refuse government requests for assistance

Nissan Mutual rescue in trouble

By Gillian Tett in Tokyo

The Japanese government's attempts to resolve the crisis caused by the collapse of the Nissan Mutual life assurance group received another blow at the weekend after one of its sister groups refused to take part in a rescue scheme.

Nissan Fire and Marine Insurance, part of the same corporate group as Nissan Mutual, indicated it had turned down a request to inject funds into a new company which would take over Nissan Mutual's liabilities.

Nissan Mutual sent shock waves through Japan's financial sector last month by becoming the first life assurance group to collapse in the country since the second world war. It is estimated to have uncovered liabilities of up to Y300bn ($2.56bn).

The decision by Nissan Fire and Marine follows similar announcements by Nissan Motors and Hitachi – also sister companies to Nissan Mutual – that they would refuse requests to provide financial assistance to the troubled life assurance group.

Their refusal to take part in the rescue is a significant step in Japan, because companies which are part of the same corporate family – or *keiretsu* – have traditionally been expected to provide support for each other in times of crisis.

Although Nissan Motors and Hitachi are two of Nissan Mutual's largest clients, both stressed last week that they did not believe they had any responsibility to solve the problems at the assurer.

Their position has left the Japanese government and the life assurance industry facing a difficult task as they attempt to prevent the collapse of Nissan Mutual from triggering a broader loss of confidence in the country's troubled life assurance sector.

Although the industry has a scheme which will cover Y200bn of the uncovered liabilities left at Nissan Mutual, the government's estimate of the total liabilities at the company has risen to some Y300bn – implying a shortfall in the rescue scheme.

Some observers fear this will mean policyholders will have to accept losses or higher contributions in the future.

Government officials fear this could undermine consumer confidence in the sector and are trying to persuade the larger life assurance companies, such as Nippon Life, to provide assistance.

However, with Nippon Life also under pressure from the government to help in the rescue of Nippon Credit Bank, the troubled long-term credit banking group, there is reluctance among some of the healthier life assurance companies to take responsibility for the losses at Nissan Mutual.

S Africa mining groups explore future

Gencor London move comes as companies determine to be among the dominant few

By Kenneth Gooding in London

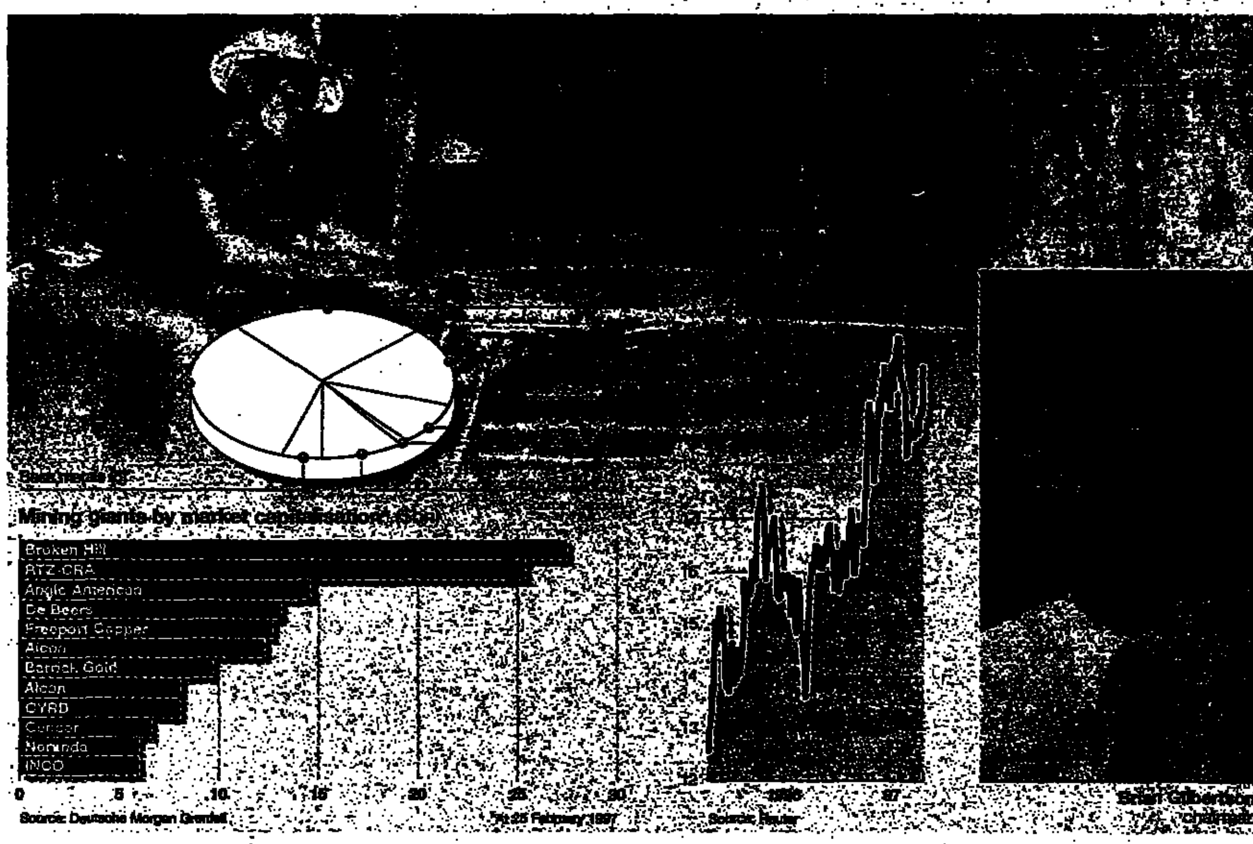
South African mining companies, determined not to be left behind in a world of fast-expanding exploration opportunities, are turning to the London Stock Exchange to help them maintain their challenge.

Yesterday it became clear that Gencor was considering splitting in two and gaining a London quote for its base metals operations.

The move comes as Randgold is putting the finishing touches to a London listing for Randgold Resources, its international mining and exploration subsidiary, possibly early in July.

Meanwhile, JCI hopes to persuade Lonrho to agree to a merger that would produce another substantial mining entity with London as its main market.

Behind these moves is the fear that South African groups might be left trailing behind as their rivals in Australia and North America seize the new opportunities available to international mining companies.



The big South African companies are not convinced that their domestic market will be able to provide all the cash they might need in the race to be among the industry's leaders. Hence the move to London.

Countries around the world are welcoming mining companies as never before. From Argentina to Zambia, governments that once treated mining groups with suspicion now compete for their favours. Many have loosened or abolished their foreign ownership restrictions and sometimes punitive taxes that previously discouraged companies from exploring or mining in many parts of the globe.

Mining groups are also being invited to bid for mining assets as huge chunks of the industry are returned to the private sector around the world.

Since the start of the 1990s more than half the countries in the world have allowed access to international mining companies and are actively encouraging them to invest. More than 70 countries have changed their mining laws to make themselves more attractive to foreign companies.

All this is giving big international mining groups an unprecedented opportunity for fast growth. Some observers believe that in 10 to 20 years the mining sector will be dominated by a small number of very big companies. Some South African groups are determined to be among the dominating few.

However, South Africa's exchange controls have been a hindrance.

Until now, only Anglo American Corporation, South Africa's biggest group, has had the relative freedom to grab any opportunity. Minorco, its 60 per cent owned, Luxembourg-quoted subsidiary, gave Anglo a vehicle for non-South African acquisitions. Minorco is now a substantial international mining company in its own right.

While London might seem the obvious market for South Africa groups to turn to for extra equity and debt finance, the rest of the mining industry has been relying on Canadian stock exchanges, particularly Toronto, to raise new money.

According to an analysis by RBC Dominion Securities, part of the Canadian banking group, mining companies in 1996 raised US$4bn of new equity on the Toronto exchange, three and a half times that on its nearest global rival, the Australian exchange.

But Toronto's reputation was recently tarnished by scandals, particularly by Bre-X, the small company that claimed to have found the world's biggest gold deposit only to discover it was a victim of fraud.

Even before the Bre-X affair, Mr Peter Flack, chairman of Randgold, said he preferred London for the flotation of Randgold Resources because it "is a serious, long-term company and it is more appropriate for it to list in London".

A move to tap the London market would mark an important step for Gencor, which less than 10 years ago was an unwieldy, bureaucratic conglomerate whose performance and rating were so poor that desperate institutional shareholders drafted in Mr Derek Keys in 1986 to give the business a thorough overhaul.

When Mr Keys left to become South Africa's finance minister five and a half years later, Gencor was a successful, entrepreneurial, decentralised group and its rating had improved substantially.

This gave Mr Brian Gilbertson, successor as chairman to Mr Keys, a solid base from which to tackle growing internationally. One option considered was a merger with Lonrho of the UK. But this was rejected because Gencor did not relish the idea of taking on Lonrho's disparate non-mining interests.

Instead, internationalisation was achieved via the $1.1bn acquisition of the Billiton mining business from Shell. Billiton linked well with Alusaf, the South African aluminium producer that Gencor now owns.

Together Billiton and Alusaf constitute the world's seventh-largest aluminium group and it has long been possible that Gencor would float that as a separate business.

Warner seeks new site for London movie theme park

By Alison Maitland in London

Warner Bros is considering about 40 sites around London for a £225m ($366.7m) film studio and movie theme park development after dropping its chosen location in Uxbridge, west London.

Warner Bros Movie World, a partnership between Warner Bros, the Hollywood film studio, and United News & Media, publisher of the UK's Express newspapers, said yesterday it was abandoning the site after nearly two years of talks because of planning problems.

The 150 acre site for the Uxbridge development, billed as the UK's biggest single-entry leisure venue, lies in the "green belt" around the UK capital, where development is strictly controlled.

The draft planning application had stirred considerable local opposition. The municipal owners of the site wanted 23 acres set aside as an ecology park. Movie World would also have had to relocate existing sports facilities to adjoining sites, restricting future expansion.

"The constraints on the size and the number of visitors meant the partners were not happy that it had the upside to justify the investment," said Mr Terry Ilott, public affairs director for Movie World.

Planning requirements and infrastructure would have cost about £10m and the two partners had already spent "quite a lot of money" assessing the site over the past two years. Projected construction costs had risen to about £250m.

The number of visitors to the movie theme park was expected to reach no more than 3.5m a year, producing revenues of about £80m.

Mr Ilott said it would be difficult to find another site as close to central London – about 15 miles – but the partners hoped to announce alternative plans "pretty quickly".

Possible locations include the Greenwich Millennium Exhibition site to the east of the city, previously rejected because of difficulties getting there by car, and a site on the M1 motorway near Milton Keynes, to the north. The complex needs to be reasonably accessible by car from London.

"Some previously rejected sites have changed and new sites have come on to the market," Mr Ilott said.

Stet close to Serb telecom deal

By Guy Dinmore in Belgrade

Italian telecommunications group Stet is close to reaching an agreement with the Serbian government to buy 49 per cent of state-owned Telecom Serbia, officials said yesterday.

The deal would mark a long-awaited breakthrough by Stet into the east European market after it failed in tenders to buy stakes in Hungarian, Czech and Russian telecoms companies. It would also throw a lifeline to Serbia's cash-strapped Socialist government.

Independent Serbian media said Stet would pay DM1.57bn ($920m), with DM1.0bn to be paid immediately after signing the contract and the rest in two tranches by the end of 1997.

One Serbian government official said the two sides initialled a preliminary agreement late on Friday but this was not publicly confirmed. Britain's NatWest Markets, the international investment arm of Britain's National Westminster Bank, is advising the Serbian side.

A Stet official in Rome said on Friday that talks were continuing, but cautioned against expectations of an early deal.

The contract, if completed, would be Serbia's biggest sale to a foreign partner in its faltering privatisation programme.

Serbia's opposition has condemned President Slobodan Milosevic, accusing him of selling off assets too cheaply.

Serbian economists have also questioned the choice of Stet as a partner, noting it was turned down both by Hungary and the Czech Republic despite making the biggest bids for their telecoms utilities. Stet is expected to be privatised this autumn when the Italian treasury will sell its 62 per cent stake.

Concern has been expressed on the Serbian side that the mooted price is too low. Although it compares with $1.73bn paid by a consortium of Deutsche Telekom and Ameritec of the US for 67 per cent of Matav, the Hungarian telecoms group, critics say Stet would be paying almost three times less in terms of price per connection.

'Voice brokers' to launch electronic broking operation for forwards market

Challenge to Reuters' forex system

By Simon Kuper in Toronto

A group of top London foreign exchange brokers are joining forces to challenge the fast-growing threat to their business from Reuters' electronic trading systems.

Four of the biggest foreign exchange "voice brokers", who match buyers and sellers over the telephone, said they would this year launch an electronic broking system aimed at automating confirmation of deals in the $1,200bn a day currencies market.

The move, by the London-based companies Tullett & Tokyo, Harlow Butler, Marshall and Exco, is a response to Reuters' plan to launch an electronic broking system for foreign exchange forwards on June 9.

Voice brokers have already been hit hard since Reuters, the media company, launched an electronic broking system for the forex spot market five years ago. Today, with its rival EBS, Reuters is estimated to have taken over up to 40 per cent of broking in that market. The voice brokers, who typically earn $2-$3 per $1m traded, are anxious not to suffer the same loss of market share in forwards.

The market in forwards – commitments to buy or sell set amounts of currencies at set dates in the future – is about $670bn a day, larger and growing faster than the spot market. Brokers are involved in about 30 per cent of forwards trades.

Mr Derek Tullett, chairman of Tullett & Tokyo, said the voice brokers' electronic system would automate only the confirmation of a deal.

The Reuters' forwards system will also allow traders to strike deals on the electronic screen, cutting out the voice broker. Initially Reuters will offer only $/D-Mark forwards, but hopes to add other currencies soon.

Mr Tullett said the voice brokers' planned system, Direct Deal Notification, "won't be as easy to use" as rival electronic systems. But it had been developed at "minimal" cost and would be made available to all voice brokers. He admitted: "I didn't expect the electronic systems to catch on with the speed they did."

But he forecast Reuters would not gain as large a share of the forwards as the spot market. Forwards trades tended to be fewer but larger than spot deals. "With forwards you don't have to jump as quickly. You can listen to the market".

Scottish Media to buy Grampian TV

By Raymond Snoddy

Scottish Media, the company that owns Scottish Television and the newspaper group Caledonian, has reached agreement in principle to buy Grampian, its Scottish ITV neighbour, in a deal worth more than £100m.

The deal, which is expected to involve an offer of about 320p for Grampian shares that closed on Friday at 262½p, was agreed by the directors of both companies in a telephone conference.

The final details are being worked out pending an announcement. A takeover of Aberdeen-based Grampian has been on the cards for several years, but seems to have been given momentum by the moves towards devolution in Scotland.

If a takeover is completed, Scottish Media, which owns The Herald and Evening Times newspapers in Glasgow, would be in a strong position to offer a single television and print advertising option for all Scotland.

Such dominance is certain to be scrutinised by the Independent Television Commission, which has by law to judge whether ITV takeovers are consistent with the public interest and has the power to block them.

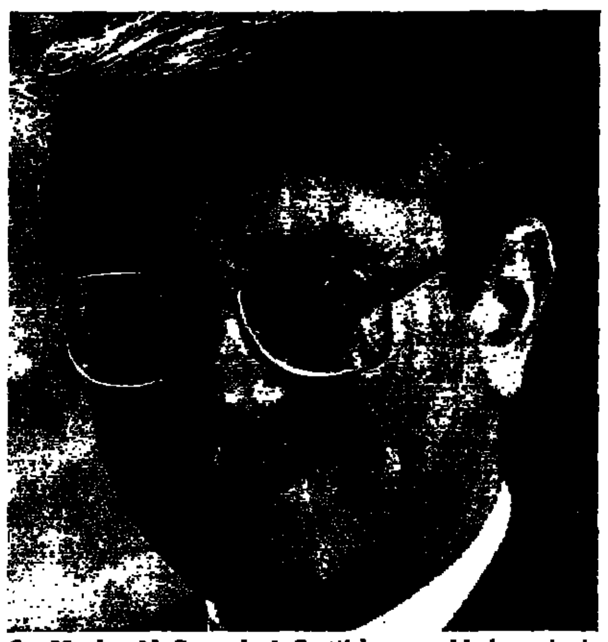
Another factor involved will be the 20 per cent stake held in Scottish Media by the Mirror Group, which owns the Scottish Daily Record the biggest-selling newspaper in Scotland.

Mr Gus Macdonald, Scottish Media chairman, will argue the importance of building a strong media company in Scotland and keeping Grampian in Scottish ownership.

The deal would mean that only three of the smallest five ITV companies remain independent: Channel, which serves the Channel Islands; Carlisle-based Border Television, and Ulster Television, the largest of the three.

United News and Media has a near blocking stake in HTV, the ITV company for Wales and the West, and Granada has a equally powerful blocking stake in Yorkshire-Tyne Tees Television. Carlton Communication bought Westcountry last year.

A Scottish takeover of Grampian would mean a further run of cost-cutting and redundancies. The ITC would insist on the retention of a separate programme-making presence in Aberdeen, but the management team at Grampian would probably be thinned.



Gus Macdonald: Grampian's Scottish ownership important

Halifax could start trading near 800p

By Christopher Brown-Humes

Shares in Halifax are expected to begin trading at more than 700p – and possibly nearer 800p ($13.04) – when the former building society starts life as an £18bn bank this morning in the UK's largest ever stock market introduction.

Marketmakers believe the shares will defy Friday's bearish market sentiment towards bank shares and could open at about 760p, making the Halifax one of the country's 10 largest listed companies.

The price is expected to be high because of strong institutional demand ahead of the bank's entry to the FTSE 100 index on June 23. Some analysts believe the shares may peak at 800p today – nearly twice the level estimated in January – but they warn that at this level the shares are well above their fundamental value.

On Friday evening, IG Index, the financial bookmaker, was quoting Halifax shares at between 721p and 731p.

At 700p, the average windfall of free shares for Halifax's 7.6m members would be worth £2,300, and at 800p more than £2,600. All Halifax members are getting at least 200 free shares.

Prices in the market today may be higher than the average price paid by institutions in an auction for 23 per cent of the new bank's shares on Friday. They were bidding for 568.6m Halifax shares whose owners had decided to sell their allocations immediately. The auction result will be announced just before the stock market opens this morning.

If the experience of Alliance & Leicester, which floated in April, is repeated, investors who sold in the auction will not do as well as those selling in the market. A&L's shares opened higher than expected at 545p – they have since risen to 612p – partly because there was significant retail buying.

About 49 per cent of Halifax's members have opted to hold their shares in a Halifax nominee account while 20 per cent have requested a share certificate. If a large number of those with share certificates decide to sell this week it will put the Crest electronic share settlement system under unprecedented strain.

VSNL full-year profits up 23%

By Peter Montagnon

Videsh Sanchar Nigan, the telecommunications company whose recent $527m global depositary receipt issue was India's largest ever international share offering, lifted net profits 23 per cent to Rs5.03bn ($141m) for the year to end-March.

The results, announced after the Bombay stock market closed for the weekend, were at the low end of market expectations, according to brokers in Bombay. Earlier, the thinly traded shares had fallen Rs99 to Rs1.170 but they were still well above their level of Rs985 at the time of the issue.

Mr Manish Singhai of Caspian, the stockbroker, said operating margins fell slightly after the company was forced to negotiate lower call charges to the US. However, they should recover this year as VSNL has negotiated an agreement with the Indian government which protects it from the impact of lower call rates for the next five years.

VSNL should also benefit from lower tax charges due to the cut in India's corporate tax rate from 43 per cent to 35 per cent, he said.

Mr B.K. Syngal, chairman, said the growth in traffic volume was "encouraging." The total volume transmitted over the company's network rose 20.43 per cent to 1.38bn paid minutes during the financial last year.

Gross profit rose 19.85 per cent to Rs8.98bn on total income up 17.65 per cent to Rs52.63bn. Tax rose 15 per cent to Rs3.28bn, while depreciation took Rs674m compared with Rs558m. Earnings per share rose 23 per cent to Rs62.88 based on the capital outstanding before the GDR issue.

Though the share price has risen sharply since then, brokers said the stock is trading at comparable levels to other Asian telecommunications companies. The shares are on a multiple of some 17 times this year's estimated earnings, which is roughly the same as Indosat, the Indonesian satellite company, said one London fund manager.

But unlike VSNL, Indosat must itself bear the cost of falling international call charges and it does not enjoy the same monopoly as that guaranteed to VSNL.

VSNL expects efficiency gains during the next five years to insulate it from any shock once the protection on call charges is lifted. It should also enjoy a sharp growth in volume, estimated by analysts at more than 20 per cent annually over the next few years.

BT service for Hong Kong

By Louise Lucas in Hong Kong

British Telecom is to become one of the first foreign operators to launch a virtual private network (VPN) service in Hong Kong. The UK carrier has pledged to launch it by the end of July.

The move follows agreements made during the World Trade Organisation accord on telecoms in February. As part of its move towards liberalisation, Hong Kong agreed to deregulate VPNs and last week issued 14 licences.

The licences allow holders to offer multinationals and corporations their own tailored network for global calls and data transmission.

As a regional hub, with over 2,000 multinationals, Hong Kong is seen as a particularly lucrative market for VPN providers. Until last year international traffic was effectively the preserve of Hongkong Telecom, the territory's erstwhile monopoly, but it has since lost an estimated 20 per cent market share to its three new fixed-line competitors.

Analysts expect this will increase as the 14 new VPN licence holders start winning big accounts from the banks and multinationals.

BT will introduce its Concert Virtual Network Service. Concert's data communication services have been offered in Hong Kong since 1994.

Mr Mark Smith, managing director of BT North East Asia, said there was already pent-up demand from existing customers around the globe wanting to connect into Hong Kong. The company offers VPN in 17 countries, and hopes to add Korea and Malaysia as liberalisation there unrolls. He said the service would compete on quality, but added: "We are going to have to compete in terms of price in a very competitive market."

The VPN will become a springboard for further expansion by BT in Hong Kong, as liberalisation rolls out.' Possible additional services include low-congestion internet for companies and value-added VPNs allowing data, voice and vision transmission over the same links.

SingTel earnings ahead by 11.6%

By James Kynge in Kuala Lumpur

Singapore Telecommunications, the city state's largest company, yesterday announced an 11.6 per cent increase in annual net profit despite losing the first part of its monopoly during the year.

A 12.5 per cent rise in international direct dial traffic helped offset narrowed profit margins due to tariff cuts. Further cuts are expected this year. Earnings from overseas subsidiaries and affiliates improved.

Group net profit in the year to March 31 climbed from S$1.49bn to S$1.66bn (US$1.16bn) on turnover of S$4.42bn, up 10.6 per cent. Operating profit was up 7.4 per cent to S$2.202bn. Earnings per share climbed from 9.75 cents to 10.88 cents.

The results were broadly [illegible]

SingTel recommended a final dividend of 4.5 cents, against 4 cents last year.

The company lost its monopoly on paging and mobile telephone services on April 1 and saw its share price tumble after a new mobile phone operator made rapid inroads.

MobileOne, a joint venture between Hong Kong Telecom, Britain's Cable and Wireless and two local companies, took 10 per cent of the market in its first month.

A third consortium announced yesterday that it would enter the race for basic telecoms licences after SingTel loses its fixed line monopoly in 2000. SembCorp, a marine company, the state-owned railway company, Singapore MRT and WorldCom of the US said they would make a joint bid [illegible]

NEWS DIGEST

Abbey denies NatWest merger

Suggestions that this year's International Monetary Conference, the annual meeting of top bankers, might see a match between the UK's National Westminster Bank and Abbey National were firmly squashed yesterday.

"We are not talking to them or to anyone else, and have no intention of doing so," said Lord Tugendhat, Abbey's chairman, speaking at the gathering in the Swiss resort of Interlaken.

"We have produced fantastic shareholders' returns in the eight years since we converted and we are confident we can continue to do so," he added.

Abbey was the first UK building society to demutualise and float on the stock exchange in 1989.

Lord Alexander, his counterpart at NatWest, declined to comment on this or other reports, but noted that his bank had been linked by rumour with at least 25 other companies over the past year. *George Graham*

Chiroscience links with HP

Chiroscience, the UK pharmaceuticals developer, has announced that its subsidiary Darwin Discovery is to collaborate with Hewlett-Packard of the US to create a new system for DNA analysis.

Mr John Padfield, chief executive of Chiroscience said the new system would allow a 100-fold increase in the speed of DNA analysis over existing technologies.

Darwin is combining its patented Mass Spectrometry Tag system with Hewlett-Packard's skill in instrumentation to produce an accurate and rapid automated system for studying genes. The first product goes on sale next year.

Mr Padfield said the tie-up vindicated his decision to buy Darwin last year for $120m (£73.6m): "We have shown you can operate two companies 4,500 miles apart."

The company estimates the market for the new product at $300m-$400m annual sales. *Roger Taylor*

Murray Lawrence's new chief

Murray Lawrence, one of the largest UK agencies running syndicates at Lloyd's of London, has appointed a new managing director as it steps up efforts to find a partner to inject fresh capital into the group.

Mr Paul Archard, who has held the post for 13 years, is to step down in July. The changeover was announced as Murray Lawrence reported a sharp increase in pre-tax profits last year from £3m to £6.8m ($11.1m).

He will be replaced by Mr Tony Hobrow, currently managing director of the agency's Whittington subsidiary, which specialises in managing syndicates that have ceased to take on new business.

Mr Archard, 49, said the appointment of Mr Hobrow would bring "fresh efforts" to Murray Lawrence's search for a suitable partner. "There will be a drop-off in capital at the end of this year," he said. "At some stage in the next couple of years we will have to bring in an investor." *Christopher Adams*

European buy-out fund launch

The formal launch today of the largest ever European buy-out fund underlines fears that the venture capital sector is overheating. The new £800m ($1.3bn) fund from Charterhouse Development Capital, the venture capital arm of Charterhouse Bank, comes hard on the heels of last week's launch of a $1bn (£600m) fund by Schroder Ventures.

The launches highlight the amount of institutional – particularly US pension fund – money pouring into the sector. Last year, private equity funds raised £2.4bn, according to the British Venture Capital Association. *Jean Eaglesham*

Energis's future still in doubt

National Grid, the UK electricity distribution company, said yesterday that it was still considering "a number of options", including flotation, for Energis, its telecommunications business.

Despite speculation that flotation was the most likely route, it had yet to reach a decision and would not be giving further details when it announces its results tomorrow.

Energis has been aiming for some time to form an alliance with an international partner. An offer from AT&T of £200m for a third of the company was turned down in 1994 and some analysts now say it could be worth over £1bn.

National Grid said forming such an alliance was still a possibility, but other options were also being pursued. These include partnerships with cable companies and developing local networks in big cities. *Virginia Marsh*

Rocco Forte Russian venture

RF Hotels, the UK hotel management company owned by Sir Rocco Forte, is to run a new chain of four star hotels in Russia.

The first will be built in Nizhny Novgorod, formerly Gorki, in central Russia. The 150-bedroom hotel will be owned by Spring Investments, a Moscow registered company in which the Forte family has a stake alongside Moscow-based Commonwealth Property Investors (CPI) of the US and Sabre Development Group, owned by private property developers. *Anthony Robinson*

Arco makes Canadian foray

US oil giant Atlantic Richfield is moving into the Canadian petrol retail market by buying 52 petrol stations in British Columbia for an undisclosed sum. Arco, which owns 1,700 stations in the western US, said it could snap up more Canadian outlets.

The Financial Times plans to publish a Survey on

India

on Tuesday, June 24

For further information, please contact: Sue Mathieson in London on Tel: +44 171 873 3230 Fax: +44 171 873 3595 or email: sue.mathieson@ft.com or Marzban Patel in India on Tel: +91 22 282 4842 Fax: +91 22 282 4889 or your usual Financial Times representative

FT Surveys

Forthcoming FT Surveys on Eastern and Central Europe

Sept	Moscow as a business centre
June	Romania
July	Kazakhstan
Oct	Macedonia
Oct	Slovakia
Nov	Czech Republic

For further information on advertising, please contact: Patricia Surridge Tel: +44 171 873 3426 Fax: +44 171 873 3204 or your usual Financial Times representative

FT Surveys

Cost controls help lift Bank Leumi

By Avi Machlis in Jerusalem

Bank Leumi, Israel's second largest banking group, yesterday said management's tight rein on costs helped bring about a 46 per cent surge in net profits during the first quarter of 1997.

The results followed a successful offering last week of more than 15 per cent of the bank's equity on the Tel Aviv stock exchange as part of the government's privatisation programme.

European investors bought about 30 per cent of the issue, which was 2.8 times oversubscribed. Mrs Galia Maor, Bank Leumi chief executive, said she considered the heavy foreign investment in the bank to be a vote of confidence in Israel's economy.

Net profits jumped from Shk111m in the first quarter of 1996 to Shk162m ($47.7m) in the same period this year.

The bank also recorded one-off capital gains of Shk456m during the quarter from selling some of its non-financial holdings during 1996, as required by Israeli banking laws.

Excluding capital gains, net return on equity rose from 6.4 per cent in the first three months last year to 8.9 per cent in the same period this year. Analysts said the bank's results were in line with expectations.

Bank Leumi attributed the rising profits to "growth in the bank's volume of business activity in all fields and stability in expense control". Operating and other expenses fell 11 per cent from Shk1.06bn in the first quarter last year to Shk948m this year.

The sharp rise in profits was achieved despite a significant increase in doubtful debt provisions. Provisions rose 110 per cent from Shk81m in the first quarter last year to Shk170m this year.

The bank said this included a special provision of Shk75m, which was set aside because of the recent economic slowdown in Israel. Israel's gross domestic product grew at an annualised rate of 2.8 per cent in the first quarter of 1997, compared with government projections of 4 per cent for the year.

The government raised an immediate Shk670m from the Bank Leumi offering last week. If all warrants are exercised, the government could receive as much as an additional Shk640m by next year. It has set a target of raising Shk4bn from privatising companies and banks this year.

Bank Leumi's shares rose 2 per cent on the Tel Aviv stock exchange yesterday from Shk5.26 to Shk5.37.

Approval for Enel telecoms venture

By Paul Betts in Milan

The Italian Treasury has given the go-ahead to Enel, the state electricity utility, to form a joint telecommunications company in partnership with Deutsche Telekom.

The new company will have an initial capital of L200bn ($118m) and will be 51 per cent controlled by Enel, with the remaining 49 per cent held by Deutsche Telekom or its DT Mobil subsidiary.

The Treasury said the new venture would bid for the licence to operate Italy's third mobile telephone network, which would compete with the country's existing two mobile operators Telecom Italia Mobile and Omnitel.

However, eventually Enel will shed its stake in the new telecom venture, which is expected to attract other industrial and financial investors.

Ifil, the Agnelli family's holding company, has already expressed interest in the new telecommunications company, which will compete in the deregulated domestic market against Telecom Italia, the current Italian telecommunications monopoly, which is about to be privatised.

The venture is also part of Enel's strategy of preparing itself for electricity deregulation and privatisation in Italy by seeking to release shareholder value from its extensive assets.

The utility is well positioned to take advantage of telecommunications deregulation because it already operates an extensive fixed-line and mobile telecommunications network of its own.

Enel set up this alternative network several decades ago as a back-up to the state telecoms monopoly, to guarantee its communications while it was developing the country's electricity network.

The venture with Deutsche Telekom is competing against several other telecommunications start-up projects in Italy positioning themselves for the eventual liberalisation of the domestic market.

These include a consortium involving Olivetti, France Telecom and the Italian Railways and another involving British Telecom, Banca Nazionale del Lavoro, the Mediaset television company and possibly Eni, the Italian oil and gas concern.

The government has committed itself to privatising Enel but has yet to set the timetable for the sell-off. The flotation is facing considerable political opposition and is unlikely to be given the green light before the middle of next year.

However, Mr Franco Tato, Enel's chief executive, has already set in motion an internal reorganisation of the electricity utility as well as a series of other ventures in preparation of deregulation, when Enel will have to shed 30 per cent of its electricity monopoly in the open market.

Apart from the telecom venture with Deutsche Telekom, Enel is planning to set up an electricity generating company with Eni to operate in the new deregulated market and develop a strong international presence.

Engine problems at Cathay Pacific

By John Ridding in Hong Kong

Disruption caused by problems with Rolls-Royce engines in its Airbus A330-300s is likely to cost Cathay Pacific between HK$120m and HK$150m (US$15.5m to $19.4m), according to the Hong Kong carrier.

Cathay yesterday described the forecast as "a preliminary first estimate" and said it did not take into account the possibility of compensation from Rolls-Royce. The airline has indicated it will seek compensation for the engine problems, but said discussions with the supplier have not yet started.

The projected costs take into account the loss of passenger traffic, payments for hotels for delayed passengers, and costs relating to the supply of relief services and aircraft by other airlines. They are lower than most estimates by Hong Kong aviation analysts, who have forecast losses of HK$200m to HK$800m as a result of the disruption.

Problems with Rolls-Royce engines are likely to cost Cathay Pacific between HK$120m and HK$150m — Ian Macdonald

Cathay's forecast compares with net profits last year of HK$3.81bn. They are based on its assumption that its 11 Airbus A330-300s, which have been grounded for a week, will be airborne within two weeks.

The Hong Kong carrier, which is 44 per cent owned by Swire Pacific, the Hong Kong arm of UK-controlled Swire, hopes to start returning Airbuses to operation this week. New parts are arriving from Rolls-Royce which are designed to resolve the problem in the Trent 700 engines.

Inadequate lubrication of gearboxes has been at the centre of the problem, which forced pilots to shut down an engine and make a number of emergency landings over recent months. Cathay and Dragonair, the other Hong Kong carrier, grounded their A330-300s after a Dragonair flight to Kota Kinabalu was forced to land in the Philippines last month.

Despite grounding about one-sixth of its fleet, Cathay has managed to operate about 85 per cent of its services through rescheduling and rearranging flights. "There has been a tendency to exaggerate the impact," said an airline spokesman. "We have still been carrying between 25,000 and 30,000 passengers a day."

Industry analysts believe sale agreements and warranties concerning the Trent 700 engine may provide for compensation for Cathay.

"These are relatively new engines, which were delivered from 1995," said one. "It would be usual to have some sort of provisions to cover any teething problems with the supply of new engines."

INTERNATIONAL NEWS DIGEST

Chief for Russian electricity group

Mr Boris Brevnov, a 29-year-old former commercial banker, was elected chief executive of Unified Energy Systems, Russia's national electricity utility, at the company's annual general meeting yesterday. Mr Brevnov is closely allied with Mr Boris Nemtsov, Russia's reformist first deputy prime minister. His elevation to the top post at UES is an important strategic victory in the government's effort to overhaul the country's monopolies.

UES's former boss, Mr Anatoly Dyakov, a Soviet-era industrial manager, was granted the symbolic title of "honorary president" and appointed chairman of the board of directors. Mr Dyakov's appointment was seen as a political compromise between the progressive Nemtsov team, drawn largely from the deputy prime minister's home base of Nizhny Novgorod, and the more old-fashioned red directors who still dominate Russian industry.

As chief of UES, Mr Brevnov is expected to try to push through a radical restructuring of the Russian power sector. The Kremlin hopes the planned electricity reforms will bring down energy prices and thus help to revive the country's stagnant heavy industries.

Chrystia Freeland, Moscow

CSR disposals to raise A$70m

CSR, the Australian building materials, sugar and aluminium group, is selling three businesses in the US and UK, raising around A$70m (US$53.29m). The units include Synkoloaid and Beadex in the north-west of the US, which make products related to the gypsum wall-board market, and Humes, the concrete pipe business in the UK.

The proceeds are well in excess of book value, but the surplus will fund restructuring at CSR. It said total divestments in the year to end-March were A$200m, and it still expected to complete the American Aggregates disposal, announced earlier, within the next six weeks.

Nikki Tait, Sydney

Stora sells paperboard mill

Stora, the Swedish pulp and paper group, is selling its paperboard mill in Arnsberg, Germany, to Paperboard Industries International, the Canadian forestry group, for an undisclosed sum. The sale, expected to be concluded in July, will be to Cascades, Paperboard's French subsidiary. Stora said the mill, with annual capacity of 135,000 tonnes, was its only plant producing recycled fibre-based board. It said overlap with other operations was marginal and the sale would further concentrate its production focus.

Greg McIvor, Stockholm

Repsol plans to spend $345m in Argentina

By David White in Madrid

Repsol, the privatised Spanish oil and gas group, plans to increase its stake in the Latin American market with a deal to spend $345m on a series of holdings in Argentina.

Repsol said the deal, still to be finalised, would give it control of a network of 700 service stations, accounting for some 15 per cent of the Argentine market, and equivalent to about a fifth of the group's retail network in Spain. The purchases – which would be carried out through its affiliate Astra – would also boost the group's Latin American refining capacity and raise its production of asphalt and lubricants.

Mr Alfonso Cortina, Repsol chairman, has set a target of obtaining 25 per cent of group operating income from Latin America by 2000.

Repsol has used Astra, the energy group, as a vehicle for its ambitions in Argentina since it bought its initial 37.7 per cent stake for $360m in mid-1996, taking management control. It has since increased this stake to 47.5 per cent with a further investment of $90m.

In January, Astra's position was reinforced through a $340m deal giving it 45 per cent of Pluspetrol Energy, another Argentine group, and thereby a controlling interest in the Ramos gas field in north-western Argentina, the second largest in the country.

Last month, Astra's oil and gas production capacity was further boosted by a $100m investment to gain control of Mexpetrol Argentina. The Spanish group's other interests in Latin America include a refinery near Lima, bought by a Repsol-led consortium last year for $180m.

The main part of the latest deal raises Astra's holding in the EG3 oil group from 31.5 per cent to 91.5 per cent by purchasing shares from Grupo Comercial del Plata and JME Inversiones.

Astra is also to take over participations held by Grupo Comercial del Plata in three other Argentine companies.

Fall into the red for Israeli group

By Judy Dempsey in Jerusalem

Israel Corporation, the country's leading investment group, plunged into the red in the first quarter of the year, with substantial losses in the shipping and oil refinery divisions.

Net losses amounted to Shk35.8m ($10.5m), against a net profit of Shk40.2m in the same period last year. Sales fell 20 per cent to Shk781.1m and the loss per share was Shk6.41 compared with earnings of Shk7.21.

Although there was a capital gain of Shk23.2m from sellingholdings during the first quarter of 1996, analysts said this could not disguise the fact that Israel Corporation was having serious difficulties in some of its divisions.

These include Zim, one of the world's largest shipping containers, which is facing increased competition from south-east Asia. It suffered a net loss of Shk12.8m compared with a small profit of Shk2.1m in the same period last year. For all 1996 it had a net loss of Shk16m versus a net profit of Shk14.8m in the previous year.

The company's oil refineries, important suppliers of feedstock to Israel's petrochemical industry, and petroleum products manufacturers reported a net loss of Shk90.6m against a net profit of Shk27m a year earlier.

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / **Philip Coggan**

US Treasuries look attractive

When the Bundesbank speaks, the markets normally tremble. But Wednesday's stern pronouncement against the German government's plan to revalue the bank's central reserves had less effect on traders than might have been expected.

The markets may simply have been stunned; although there was little movement on Thursday, equity markets took the hit on Friday. But even with the added worry of opinion polls pointing to an outright Socialist victory in yesterday's French parliamentary elections, there was little turbulence in European cross rates or in spreads relative to German bunds.

One interpretation is that the spat indicates the whole Emu project is now doomed and, sooner or later, politicians will have to wake up and face the reality. But the market implications of such an outcome would be the wholesale slaughter of "peripheral" currencies and bonds, such as the Italian lira, and a flight to safety in the D-Mark. That dog did not bark.

The political will behind Emu is so strong that, however convincing the practical arguments against it, nothing seems capable of derailing the project. Emu resembles Sylvester Stallone in the Rocky films; the mumbling pugilist absorbed a horrendous amount of punishment but doggedly bounced back for more, eventually disheartening his opponent.

An alternative argument, therefore, is to say that any German accounting tricks will be seized on by other countries which are struggling to meet the Maastricht criteria. The French socialists want a loose interpretation of the Maastricht criteria and as wide a membership as possible. Teutonic strictures on fiscal rectitude will be ignored and accordingly Emu will be an all-inclusive club, admitting even Italy.

On this reasoning, creating a wider Emu will lead to a weaker Euro; the logical response is to sell European currencies and bonds across the board, and to look for safe havens such as the dollar, Swiss franc or even sterling. There were some limited signs of this towards the end of last week.

Recipients of this safe haven money may not be grateful. The US government might be fairly relaxed about a limited strengthening in the dollar, but a currency rise would not be appreciated by the Swiss or the British. The Swiss have no desire to see the franc regain its peaks of late 1995, and British exporters are suffering from the pound's rally to its old Exchange Rate Mechanism floor.

However, Mr Nigel Richardson, head of bond research at Yamaichi International (Europe), argues that the Euro may initially be stronger than many expect. "The new European Central Bank will want to flex its muscles and be as rigorous, if not more so, than the Bundesbank."

Such a combination of a widely-based Euro and higher interest rates would have profound implications for investors.

Since it is clear that European economies have not converged sufficiently to make a single currency a natural development, there are going to be severe regional problems. Depressed areas will no longer have the option of devaluation or slashing interest rates; they will have to rely on fiscal policy which, given the constraints of the stability pact, may not be forthcoming, or on labour market flexibility of a scale hitherto unseen in Europe.

The result could be regional slumps along the lines of Texas in the mid-1980s or California in the 1990s, or areas which permanently lag the rest of the nation such as the US deep south.

There must also be a risk that such a rickety structure as a widely-based Euro could fall apart very quickly. One should not be fooled by the relatively quiet European currency markets recently.

Europe's first post-Bretton woods exchange rate system, the Snake, collapsed in short order and the early years of the Exchange Rate Mechanism were dogged by a long succession of realignments.

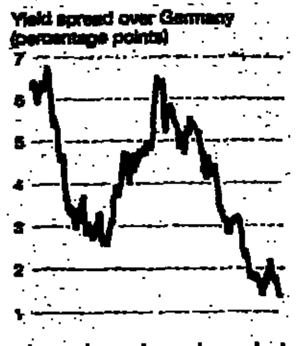
There are signs this year that the foreign exchange markets are again getting more volatile – whether one looks at the sudden rebound of the Japanese yen or, on a smaller scale, at the speculative forays against the Thai baht and Czech koruna.

Currency volatility, regional risks, political uncertainty – all of these point to increasing the risk premium on European assets, whether bonds or equities.

Suddenly US Treasury bonds look highly attractive. A 7 per cent yield at the long end, a government which is attacking the deficit and which is politically stable, a low inflation economy . . . who could ask for anything more?

Italian 10-year bonds

Yield spread over Germany (percentage points)



Source: Datastream

Total return in local currency to 29/05/97

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.01	0.06	0.06	0.13	0.12
Month	0.47	0.05	0.27	0.28	0.59	0.52
Year	5.99	0.91	3.38	4.09	8.39	6.44
Bonds 3-5 year						
Week	0.08	−0.46	0.07	−0.24	−0.25	0.19
Month	0.69	−1.21	0.16	0.10	1.38	1.02
Year	6.45	3.66	7.13	7.89	14.58	8.40
Bonds 7-10 year						
Week	0.14	−0.30	−0.11	−0.50	−0.54	0.40
Month	0.81	−1.91	−0.18	−0.28	2.30	2.17
Year	6.94	7.18	10.15	10.67	20.83	12.59
Equities						
Week	1.1	2.0	1.4	−5.5	−1.3	0.5
Month	6.6	6.4	7.0	−1.2	1.0	5.0
Year	28.2	−7.8	43.3	25.0	18.4	25.2

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Exel Index Ltd. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

Focus on Vodafone's moves to digital tariffs

Vodafone, the UK's largest mobile phone operator, is expected tomorrow to announce pre-tax profits up from £475m to about £517m ($842.7m) including exceptional gains.

Earnings per share should come in at about 11p with a dividend of 4.8p a share. Last year's dividend was 4.01p.

Interest will centre on the company's efforts to move customers profitably from analogue to digital tariffs, and on the performance of its extensive overseas investments.

■ The market is expecting De La Rue, the banknote printer and specialist paper group, to announce a drop in profits when it reports tomorrow.

Hoare Govett is forecasting pre-tax profits of £125m (£148.6m) and earnings per share of 40.9p (49.1p) before restructuring charges of about £15m.

The City will be looking for signs of improvement in the banknote sector where average prices fell about 10 per cent last year.

The company, which this month announced the purchase of Philips' smart card business, has issued three profit warnings in the past two years.

■ The main thing the market wants to hear from National Grid is what it intends to do with Energis, its telecommunications subsidiary. It had promised to sell up to 50 per cent of the company, only to back off from this commitment in March.

Pre-tax profits, to be announced tomorrow, are expected to be 12 per cent better than last time at about £590m, while dividends should be 8 per cent higher at 11.13p.

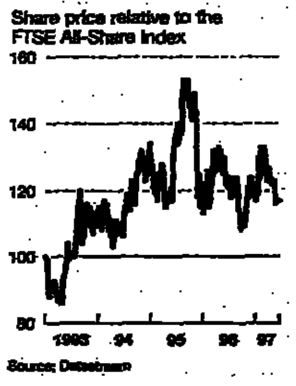
■ The market is expecting interim pre-tax profits of about £65m and earnings per share of close to 12p when MEPC, the UK's third largest property group, reports tomorrow. This compares with pre-exceptional profits of £62m last time.

The company, whose merger talks with smaller rival Hammerson failed in March, is in the middle of restructuring.

The £3.4bn group which has interests in the US and Australia is considering demerging. However, analysts do not expect the company, whose shares have underperformed the market for some time, to give many more details yet. Rather, the City will be looking for signs the company is cashing in on the upswing in the improving property sector.

Vodafone

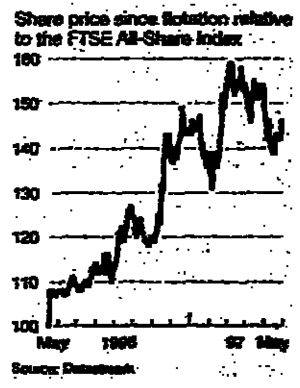
Share price relative to the FTSE All-Share Index



Source: Datastream

Railtrack

Share price since flotation relative to the FTSE All-Share Index



Source: Datastream

■ Southern Electric is the last pure regional electricity company listed on the Stock Exchange; it is also the second biggest in England and Wales. The market will want to know why it is the laggard in introducing competition in its area and what financial impact that may have.

On Wednesday, analysts are expecting pre-tax profits of about £260m – some 11 per cent down on the previous year. Dividends are set to rise 10 per cent to 22.1p.

■ Analysts are expecting that British Energy, the nuclear generator, will report pre-tax profits of about £60m in its maiden results on Wednesday. This would mark a substantial turnround from the pro forma loss of £77m the company showed at the time of its flotation last July.

Dividends of 13.7p for the year were promised in the prospectus and there is no reason why British Energy will not pay them.

■ Boots announces full-year results on Thursday, forecast to be about £527m. The market will focus on the potential of the group's growing international business and prospects for a shareholder pay-out of some of its net cash balances of more than £250m.

■ Analysts are expecting Railtrack, privatised just over a year ago, to report on Thursday a double digit increase in pre-tax profits from last year's pro-forma £261m to between £295m and £305m. Turnover is forecast to have edged up some 5 per cent to £2.4bn.

A total dividend of 22p would mean a 7 per cent rise on last year's pay-out.

But the City will be more anxious to hear what Railtrack says about the prospect of a windfall tax.

Analysts will also be on the look-out for ambitious cost-cutting. Most hope that 25 per cent of Railtrack's £1.2bn of variable costs can be lopped off within the next few years.

■ Mr Ewen Macpherson presents his last set of results at 3i on Thursday before handing over to Mr Brian Larcombe, the new chief executive, in July.

Analysts are looking for a net asset value per share of between 490p and 500p for the year to March 31. At the interim stage, the UK's largest provider of capital to the unquoted sector announced a fully diluted net asset value of 454p per share.

There has been some selling of the shares in the last few weeks. When the group published the findings of its last Enterprise Barometer survey conducted in February, it showed that confidence among smaller companies had been dented by the strength of sterling.

The market will also be looking for indications of how the continental European expansion is progressing, although the currency effect will make returns appear poor anyway.

INTERNATIONAL EQUITIES By Michael Lindemann

Euro mini-bourses to rival Easdaq

For years entrepreneurs across Europe complained there was no equivalent to Nasdaq, the US over-the-counter stock market specialising in smaller, fast-growing equities.

Now it seems the entrepreneurs are spoilt for choice: Easdaq started in Brussels last November and four mini-bourses have recently opened for business in France, Germany, the Netherlands and Belgium.

The sudden proliferation of new markets has spurred competition for business and raised inevitable questions about how the bourses will survive alongside each other.

Already the Frankfurt-based Neuer Markt, an offshoot of the German stock exchange, has statistics showing that the volume of trades in April, its second month in business, was more than five times bigger than trades on Easdaq. The Neuer Markt, with two stocks, registered trading volume of DM176m (£63.5m), while Easdaq, which boasts eight listings, reported turnover of $19.4m (£11.9m).

Mr Stefan Lutz, of the Neuer Markt, says that not only is the volume of trades greater but it is also easier to settle because dealers have access to the electronic settlement system available to all 260 members of the Frankfurt stock exchange.

And he challenges the idea that Easdaq, which is marketed as the "pan-European stock exchange", is any more international than the Neuer Markt.

About 70 of the 260 stock exchange members in Frankfurt are non-German banks and securities traders with links around the globe. "On that basis, I don't know who has the further international reach," Mr Lutz says.

Moreover, that international dimension will be enhanced considerably after the four mini-bourses recently said they would link up to create EuroNM, enabling brokers in the four cities to trade the diverse stocks. It is likely to take until the end of 1998 before the four link up electronically, Mr Lutz says, but the ambitions are clear.

Those ambitions have taken Easdaq by surprise. "Wow, they're being competitive," said an Easdaq official. "We never set out to spar with them like this. We're sure we can survive alongside each other."

Easdaq says the settlement difficulties are a thing of the past now the exchange has links with Euroclear and Cedel.

The exchange, which is owned by a range of international private shareholders, many of which are banks and venture capital companies, also extols its links with Nasdaq.

"Access to Nasdaq is something that companies see as quite an advantage," says Ms Siobhan Loftus, an Easdaq executive. But it is that access to Nasdaq which may yet stymie Easdaq's growth.

Mr Lutz points out that two stocks, Mercer and Dr Solomon's, are listed on Easdaq and Nasdaq, but virtually all of the trading is done on Nasdaq. "There's almost no activity in these stocks (on Easdaq)," he says.

Mr Jacques Putzeys, Easdaq's chairman, is sure, however, that even that can be reversed. Six new companies will list on Easdaq this month and several of the Wall Street houses specialising in smaller stocks, such as Hambrecht & Quist and Herzog, Heine, Geduld, have recently opened in London to trade Easdaq stocks.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY MAY 30 1997								THURSDAY MAY 29 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	233.10	5.0	211.22	171.70	206.89	203.66	9.6	3.78	232.39	210.13	170.36	204.99	202.25	234.37	188.44	205.62
Austria (24)	194.56	2.5	176.30	143.31	172.52	172.46	13.5	1.90	199.08	180.01	145.94	175.61	175.54	200.52	174.70	191.70
Belgium (26)	248.53	9.2	225.21	183.07	220.38	215.82	21.0	3.31	250.90	226.87	183.92	221.31	216.74	254.98	208.70	200.00
Brazil (30)	269.52	42.1	244.23	198.53	238.99	531.57	46.5	1.35	267.46	241.84	196.06	235.92	528.84	269.52	162.65	170.14
Canada (112)	205.57	8.3	186.28	151.43	182.29	205.34	9.0	1.90	205.01	185.38	150.29	180.84	204.88	209.45	154.12	164.66
Denmark (32)	380.26	8.0	344.58	280.10	337.18	335.72	18.9	1.51	383.14	346.45	280.87	337.97	338.71	390.15	292.60	294.80
Finland (28)	267.54	8.9	242.44	197.07	237.24	288.59	21.5	1.58	273.64	247.43	200.59	241.38	293.89	278.84	186.67	183.92
France (91)	214.31	0.1	194.20	157.86	190.03	183.69	10.9	2.92	214.33	193.80	157.12	189.06	193.50	232.34	186.94	195.03
Germany (59)	208.47	9.7	188.91	153.56	184.86	184.86	21.4	1.53	214.75	194.18	157.42	189.43	189.43	218.90	167.18	167.18
Hong Kong (66)	517.52	2.1	468.95	381.20	458.89	514.83	2.2	2.93	508.13	459.46	372.49	448.21	505.42	517.94	407.55	436.38
Indonesia (27)	243.00	6.5	220.19	178.99	215.47	362.82	8.7	1.58	238.65	215.80	174.95	210.51	357.08	-	-	-
Ireland (15)	341.48	3.8	309.42	251.52	302.78	318.66	16.4	3.06	346.36	313.19	253.91	305.52	323.33	350.96	270.08	278.74
Italy (59)	87.39	4.7	79.19	64.37	77.49	110.41	16.5	2.28	89.11	80.58	65.33	78.61	111.72	96.32	73.21	82.57
Japan (485)	130.37	1.0	118.13	96.03	115.60	96.03	1.4	0.82	132.74	120.03	97.30	117.09	97.30	158.25	107.57	155.04
Malaysia (107)	534.64	−11.4	484.46	393.81	474.07	517.38	−11.6	1.32	535.27	484.00	392.38	472.15	517.60	660.85	510.10	557.04
Mexico (27)	1425.81	16.9	1292.00	1050.25	1264.29	12340.30	17.5	1.22	1418.05	1280.43	1038.05	1249.00	12248.88	1445.68	1110.35	1277.98
Netherland (19)	369.58	9.9	334.87	272.21	327.69	323.64	21.9	2.42	377.87	341.68	277.00	333.31	329.27	382.10	279.88	295.86
New Zealand (14)	90.61	−1.3	82.11	66.75	80.35	69.67	1.0	4.13	89.70	81.11	65.76	79.13	68.98	95.00	75.94	78.41
Norway (41)	310.37	5.0	281.24	228.62	275.21	299.68	17.0	2.05	315.23	285.04	231.08	278.06	302.38	321.23	246.04	250.04
Philippines (22)	172.14	−15.5	155.99	126.80	152.64	226.26	−15.2	0.82	169.62	153.37	124.34	149.62	222.94	-	-	-
Singapore (42)	392.11	−6.6	355.31	288.83	347.69	258.31	−4.5	1.18	391.46	353.97	286.97	345.31	258.02	448.01	400.08	417.18
South Africa (44)	350.93	10.2	318.00	258.50	311.18	342.79	5.3	2.49	354.89	320.90	260.15	313.04	346.61	370.12	301.49	350.05
Spain (35)	246.51	12.2	223.38	181.58	218.59	260.47	24.4	2.43	252.21	228.05	184.88	222.47	274.38	252.42	171.31	178.29
Sweden (49)	446.62	5.9	404.71	328.98	396.03	510.97	19.8	2.02	451.05	407.85	330.65	397.87	514.27	467.01	334.35	347.27
Switzerland (35)	287.88	20.7	260.87	212.05	255.27	252.49	27.1	1.32	294.32	266.13	215.75	259.62	257.10	299.90	230.41	230.79
Thailand (43)	65.52	−31.6	59.37	48.26	58.10	63.37	−33.5	4.93	61.60	55.70	45.16	54.34	60.02	180.09	59.76	180.09
United Kingdom (211)	298.44	5.4	270.43	219.83	264.63	270.43	10.2	3.69	302.15	273.21	221.49	266.52	273.21	303.18	229.63	233.98
USA (651)	343.61	13.8	311.36	253.10	304.69	343.61	13.8	1.78	341.71	308.98	250.49	301.42	341.71	343.87	254.79	273.50
Americas (820)	314.49	13.9	284.98	231.65	278.86	264.82	13.9	1.77	312.78	282.82	229.29	275.00	263.40	314.74	233.09	249.94
Europe (725)	257.81	7.5	233.44	189.76	228.43	237.63	18.2	2.69	261.75	236.68	191.88	230.88	240.62	264.79	204.71	208.40
Nordic (150)	386.46	6.5	350.21	284.68	342.70	381.29	19.6	1.88	391.13	353.67	286.72	345.01	384.31	401.58	291.45	298.73
Pacific Basin (882)	149.35	0.5	135.33	110.01	132.43	110.54	0.9	1.30	151.03	136.56	110.71	133.22	111.36	170.85	127.18	168.81
Euro-Pacific (1607)	194.52	4.3	178.27	143.29	172.48	158.54	9.1	2.06	197.22	178.33	144.58	173.97	160.16	198.16	173.55	185.18
North America (763)	335.16	13.6	303.71	246.88	297.20	334.46	13.6	1.78	333.36	301.43	244.37	294.05	332.60	335.55	248.05	260.75
Europe Ex. UK (514)	230.16	8.8	208.58	169.53	204.09	214.75	19.8	2.10	234.33	211.89	171.78	206.70	217.73	238.90	185.65	189.78
Pacific Ex. Japan (397)	311.80	−1.7	282.54	229.67	276.48	272.85	0.3	2.74	308.73	279.18	226.32	272.33	269.90	320.65	268.97	291.10
World Ex. US (1820)	198.05	5.0	179.46	145.88	175.61	164.93	9.4	2.04	200.56	181.35	147.02	176.91	166.47	201.44	176.34	180.54
World Ex. UK (2260)	239.20	9.3	216.75	176.19	212.10	210.73	11.9	1.72	239.98	217.00	175.92	211.68	211.06	241.02	189.58	211.45
World Ex. Japan (1986)	302.80	10.6	274.38	223.04	268.50	292.24	13.6	2.14	303.21	274.17	222.27	267.48	292.31	306.11	233.10	245.42
The World Index (2471)	244.28	8.9	221.35	179.93	216.60	216.22	11.4	1.92	245.30	221.80	179.82	216.37	216.74	246.21	202.32	213.45

Copyright, FTSE International Ltd., Goldman, Sachs & Co. and Standard & Poor's. 1997. All rights reserved. "FT/S&P Actuaries" is a joint trademark of The Financial Times Limited and Standard & Poor's. Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local). Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 133.22 (Local). Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.57 (Pound Sterling) and 140.94 (Local). Indonesia and Philippines June 28 1996 = 214.14 (US $ Index), 204.33 (Pound Sterling) and 184.43 (Local). CONSTITUENT CHANGES DURING THE WEEK ENDING 30/5/97: Deletions. Conrail (USA) and Stone Consolidated Corp. (Canada). Name changes. [illegible] (Registered) to Surgroup (Registered) (Switzerland). CONSTITUENT CHANGES WITH EFFECT 2/6/97: Addition: Gallaher Group (Medium-Small Cap) (UK). Deletion: Morgan Stanley (USA). Name changes: American Brands to Fortune Brands (USA) and Dean Witter to Morgan Stanley Dean Witter Discover (USA).

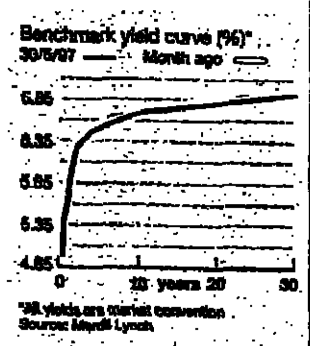
MARKETS: This Week

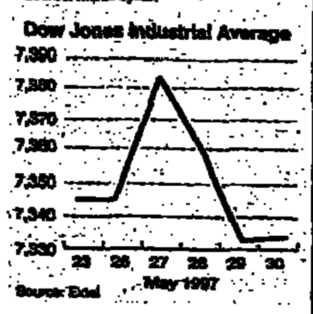
NEW YORK By Richard Tomkins

Last month's decision by the Federal Open Market Committee to leave interest rates unchanged put the US markets in a dither about the likely magnitude of monetary restraint in this phase of the business cycle. As CIBC Wood Gundy points out, the decision left the markets reacting to each piece of economic news in the context of how the data will affect the Fed's decision on interest rates at its next meeting on July 1 and 2.

A hectic calendar of economic data, therefore, presents traders and investors with the prospect of a lively week. As always, one of the highlights will be the monthly employment survey, due on Friday, indicating how tight the labour market is becoming. Others include the National Association of Purchasing Management's report on business conditions and data on personal income and personal spending, both due today.

According to Standard & Poor's MMS survey of US economists, the median forecast for May non-farm payrolls is for an increase of 225,000 in net new jobs, well above the average of 198,000 a month for the last three months. Salomon Brothers thinks the increase could be as big as 300,000, which





would raise market expectations of an interest rate increase next month.

But the markets may find reassurance in the NAPM composite index for May, which is likely to show a slight decline from 54.2 in April to 54, according to the MMS survey. And analysts think April personal income and spending figures present little threat: they predict personal income will have crept ahead by only 0.1 per cent, and personal spending to have been unchanged.

LONDON By Philip Coggan

The UK markets will be braced for a busy week on both the domestic and international front, which might set the tone for the rest of the summer.

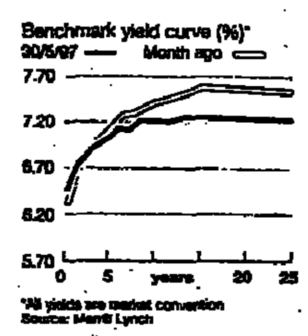
The schedule kicks off today with the flotation of the Halifax, an event that has been giving the institutions headaches over the past few weeks. The price in the unofficial grey market has been driven higher and higher as investors scramble to get an appropriate weighting.

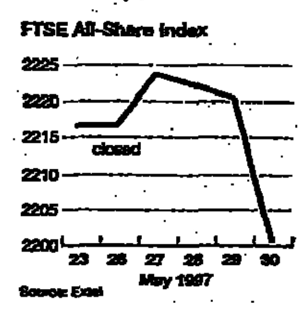
Investors will also learn the date of Labour's first budget and will react to the French election result, which is likely to cause further disruption in the bond and currency markets.

Mr Tietmeyer, the Bundesbank president, may also cause a stir when he addresses the German parliament on the gold revaluation plan on Thursday.

The big domestic event of the week will be the meeting of the monetary policy committee on Thursday, the first test of the Bank of England's new freedom to set interest rates. An announcement of any rate change is not expected until Friday.

The direction of US interest rates is also a key influence on the UK market,





and the non-farm payroll numbers on Friday will be closely watched as usual. Some fear the Federal Reserve, which failed to raise rates at its last meeting, will be forced to act in July.

With all this political and economic activity, the corporate sector's results may take a back seat. But there are still figures to come from big companies such as Boots, EMAP, National Grid, Railtrack and Southern Electric.

FRANKFURT By Andrew Fisher

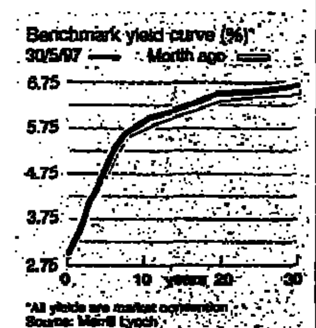
The guessing game will continue this week about the outcome of the dispute between the government and the Bundesbank over the revaluation of Germany's gold reserves to meet monetary union criteria.

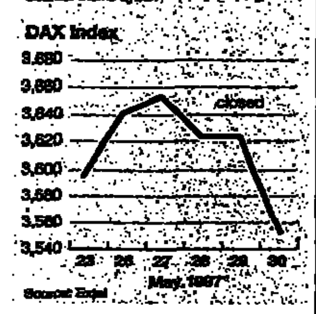
The Bundesbank had to deny a report yesterday that Mr Hans Tietmeyer, its president, favoured an Emu delay, an indication of how volatile the situation is for financial markets.

After Friday's 2 per cent drop in the DAX blue-chip index to 3,563 points, also reflecting uncertainty over the French election and weakness on Wall Street, the Frankfurt stock market is likely to remain under the influence of euro anxiety this week. The same will apply to the bond market.

In coming weeks, the gold confrontation will increase uncertainty about domestic politics and Emu and this will weigh on the markets, said Mr Holger Fahrinkrug, economist at UBS (Deutschland). He called Thursday's Bundesbank statement on the gold reserve plan "a huge slap in the face" for Mr Theo Waigel, finance minister.

Mr Adolf Rosenstock, economist at IBJ Research, said a sensible compromise over the issue was still possible but "it is equally





likely that the whole matter explodes into a full-blown war over fiscal policy and Emu". The gold issue has exposed weaknesses in the government's budget policy as economic growth fails to bring significant cuts in unemployment and in the high cost of jobless benefits.

With the Free Democratic Party, the junior coalition party, firmly against tax rises to plug budget holes, the stage is set for further upsets if Mr Waigel tries to push these through.

TOKYO By Gwen Robinson

Signs that the recent turbulence in currency markets has settled for the time being will shift the equity market's focus toward companies with strong earnings reports in the just-finished annual corporate results season.

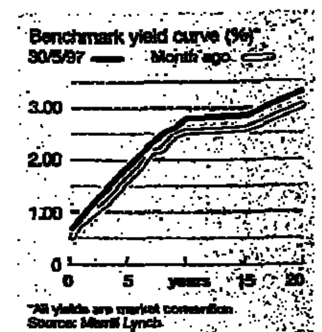
Investors, led by increasingly active foreign buyers, are likely to chase blue-chip exporters and domestic demand-driven issues with optimistic earnings outlooks.

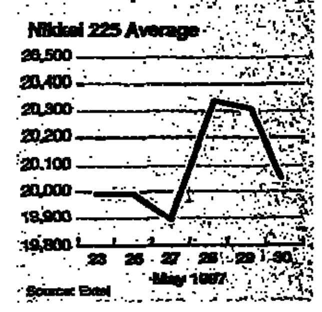
The Nikkei 225 index, however, may be weighed down by selling of banks and securities houses amid renewed pessimism about Japan's financial sector.

Traders expect the Nikkei to trade between 20,000 and 21,000, after closing last week at 20,068.81, down 243.42 from Thursday but up from the previous week's close of 19,877.39.

Analysts note signs of reviving confidence in equities, on increased corporate profitability and shifts in asset allocations among international fund managers toward Japan.

The market's rapid recovery from recent plunges on yen-dollar exchange rate turbulence, and on anxiety about a possible interest-rate increase, contribute to that view. But these factors are





not sufficient to drive prices up significantly, said Mr Michael Hartnett, economist at Merrill Lynch in Tokyo.

"Such shifts are already reflected in the value of the index. To move forward you need exceptional economic data, either in the consumer area or banking," he said.

Government bonds, meanwhile, weathered the negative impact of renewed speculation about interest rates to surge last Friday on lower than expected April industrial production data.

COMMODITIES By Susanna Voyle

Pressure on zinc prices

Zinc and nickel prices are likely to be the centre of attention in the markets this week: Chinese stock movements and metal workers voting on strike action set to move prices.

Zinc prices may come under further pressure with traders watching for more signs of Chinese metal coming on to the market.

The price of zinc – used primarily to galvanise steel for the construction and motor industries – has been climbing this year, partly because of the low level of LME stocks.

At one point on Friday, the price of the metal for three-month delivery fell by $19 a tonne to $1,341 before recovering to end the day $5 lower at $1,355. Analysts said the weakness reflected the first real evidence of Chinese material being delivered into Singapore.

"The market had been expecting some deliveries for some time given the very strong price run-up since the start of the year and the excess smelting capacity in China," said Mr Alan Williamson, metals analyst with Deutsche Morgan Grenfell.

"Whether this is the start of a trend remains to be seen, although clearly if it is, in the short term at least, a price correction from current levels could be expected. However, if the deliveries into LME warehouses come to be seen as one-off events then the recent strong upward trend in prices should continue."

Nickel prices fell on Friday when Inco, the Canadian company which is the world's biggest producer of the metal, said it had reached a "tentative" agreement with unions over a new labour contract.

Unionised workers had been due to go on strike at midnight on Saturday. The agreement still has to be ratified by the 4,700 workers at the Ontario division, made up of the Sudbury and Port Colborne mining, smelting and refining operations.

On the London Metal Exchange nickel fell to a six-week low on the news. The three-month price fell $80 a tonne to close at $7,200.

OTHER MARKETS Compiled by Jeffrey Brown

European bourses face another uncertain week what with Emu worries, French politics and the possibility of an uneasy run-up to Friday's US jobs data

PARIS

The French bourse will open for trading today under a new socialist government and market direction will be dictated from the outset by its expectations of the new administration.

Last week's run-up to yesterday's final election voting was marked by clear weakness for shares, with investors taking fright and selling across the board following the Left's successes in the first-round vote.

Rumour piled upon rumour, and on Friday the leading CAC 40 index was more than 7 per cent short of its May 21 peak. Worries about the future course of Emu and the franc were further compounded by the outbreak of hostilities in Germany between Bonn and the Bundesbank.

It all added up to a significant wobble for sentiment, with motors and the banks taking the most punishment. Renault, for example, ended last week with a five-day decline of almost 20 per cent while BNP lost almost 10 per cent. "If there is to be a rally, there is no shortage of scope. We will soon know," said one broker on Friday.

Given this turbulent outlook, forthcoming corporate news may be of limited impact. But a number of leading companies are holding annual meetings, and retailer Danone is making a presentation to analysts tomorrow.

The main annual meetings are at Sanofi, the drugs arm of Elf Aquitaine, and at Accor, the hotels leader.

Elf put a "For Sale" sign over Sanofi last year, but has yet to find a buyer. Accor, meanwhile, has long been at the centre of sector rationalisation rumours. Both meetings take place on Wednesday.

ZURICH

Up some 30 per cent this year, the Swiss stock market comfortably heads the European performance charts, thanks to a combination of earnings recovery and the sort of merger speculation that resurfaced last week following an $11bn German takeover by Roche, the big drugs group.

Winterthur, one of this year's star performers, with a 50 per cent gain, is in London today for a post-results roadshow.

It will be touching bases with large investors and giving an insight into trading this year. Mr Martin Ebner, Switzerland's best-known corporate raider, has built up a 14.5 per cent stake in the group.

HONG KONG

Strong sentiment ahead of Hong Kong's return to China on July 1 looks set to drive share prices higher still this week, *writes Louise Lucas from Hong Kong.*

The benchmark Hang Seng Index closed on Friday at a record 14,757.81 and brokers expect the 15,000 mark to be breached in the coming weeks.

The market rally has been fuelled largely by liquidity and sentiment. Red chips (mainland-backed shares) have been even stronger. Newly floated Beijing Enterprises surged to a huge premium when dealings started last Thursday.

Brokers report both mainland and international money pouring into the market – turnover on Friday was the second highest ever at HK$18.74bn – partly helped by the weakness of other regional markets. Local money is also making itself felt, particularly among red chips.

Consolidation is not now expected until after the handover to China. With futures closing at a premium to the spot index and a relaxation of fears over an interest rate rise, some brokers say the the market could move towards 16,000 as the handover draws nearer.

CURRENCIES By Richard Adams

Possibility grows of wider single currency

The socialist victory in the French general election adds to the growing possibility of a wider membership of the European single currency.

As last week's spat between the Bundesbank and the German government showed, the risks for the euro appear to be shifting towards a loose interpretation of the single currency criteria under the Maastricht treaty. And as the French election result revealed, enthusiasm for belt tightening to prepare for a single currency is flagging among voters and politicians.

The upshot in the currency markets should be good for the US dollar and other "safe haven" currencies in Europe not part of a single currency, especially sterling, the Swiss franc and the attractive Swedish krona.

Yet the dollar did not perform as well as many might have expected last week, perhaps because its very recent weakness against the Japanese yen was too fresh in the minds of many currency strategists.

Sterling too has much of its good news already priced in, and there is uncertainty over what is likely to happen to UK interest rates at the meeting of the interim Monetary Policy Committee on Thursday and Friday.

The Bank of England's last inflation report made it very plain that Mr Mervyn King, the Bank's chief economist and MPC member, wanted interest rates to rise, as presumably do most of his fellow members. But ahead of the mini-budget, the rump committee may not be happy making an interest rate move this week.

The Swiss franc may also be less attractive as a haven, given rumours about a possible rate cut by the Swiss National Bank.

Friday sees the latest US labour market report and non-farm payroll figures. The latter have lost a little of their importance, but another solid increase, perhaps over 250,000, would add support for another rate rise at the Fed's July meeting.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Roche (Switzerland)	Boehringer Mannheim (Germany)	Healthcare	$11bn	Renewed sector consolidation
AES (US)/Southern Electric (US)	Cemig (Brazil)	Power	$1.1bn	Significant privatisation
Tarkett (Germany)/ Sommer Allibert (France)	Merger	Flooring	$799m	New global force
Banco Santander (Spain)	Banco Rio de la Plata (Argentina)	Banking	$594m	Control stake agreed
Compass (UK)	Daka International (US)	Contract catering	$195m	Agreed offer
Assi Doman (Sweden)	Sepap (Czech Rep)	Pulp & paper	$130m	Assi wins at last
Transworld Healthcare (US	Omnicare (UK)	Healthcare	$32m	Recommended offer
Ethical Holdings (UK)	Clonmel H'care (Ireland)	Healthcare	$23m	Revenue-doubler
IAWS (Ireland)	PB Kent (UK)	Agrichemicals	$15m	Cash transaction
Taylor Nelson (UK)	Gallup (Denmark)	Media services	$10m	Deferred element

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, May 30, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)			£ STG	US $	D-MARK	YEN (X 100)			£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7771.00	4750.00	2784.84	4076.20	Gibraltar	(Gib £)	1	0.6112	0.3584	0.5245	Pakistan	(Pak. Rupee)(Z)	66.0120	40.3496	23.6578	34.6259
Albania	(Lek)	284.480	173.873	101.944	148.211	Greece	(Drachma)	445.810	272.500	159.773	233.845	Panama	(Balboa)	1.6360	1	0.5863	0.8581
Algeria	(Dinar)	93.0060	56.8480	33.3308	48.7848	Greenland	(Danish Krone)	10.6186	6.4912	3.8059	5.5704	Papua New Guinea	(Kina)	2.2786	1.3928	0.8168	1.1952
Andorra	(French Fr)	9.4268	5.7615	3.3781	4.9442	Grenada	(E Carib $)	4.4172	2.7000	1.5830	2.3170	Paraguay	(Guarani)	3532.12	2159.00	1265.83	1852.74
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

EMERGING MARKETS By Kester Eddy

Bull-run continues in Budapest

Less than five years ago an Economist story on the Budapest Stock Exchange was accompanied by a photo of a serious looking broker, complete with mobile phone.

It was hardly surprising he looked serious. The photo was captioned "Heard the rumour that someone sold a share?" and the broker was probably wondering if his equity trades that month would pay the phone bill.

But those were the bad times. Today, the same broker probably worries if he can manage the payments on the second BMW.

"In those days, when the new computer trading system was installed, the dream was to have 100 transactions a day," says BSE chairman, Mr Zsigmond Jarai. "Now, we have over 2,000 trades per day and we need a new computer system."

The new one will have unlimited capacity, he says, raising his eyebrows: "Perhaps I'm being optimistic." Perhaps not. Last year, the Bux index rose 130 per cent in dollar terms to become the darling of the smaller emerging markets. This year, it has risen 40 per cent, closing on Friday up another 88.96 points, or 1.5 per cent, a new record close of 6,018.11.

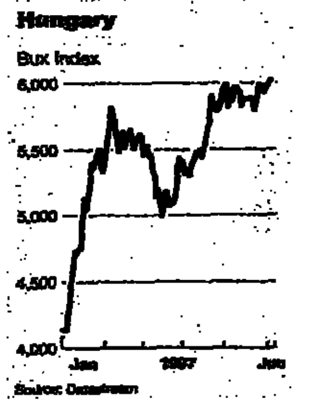
Compared with 1992, the market has blossomed beyond all recognition. Then, 41 brokerages chased trades in a mere 23, illiquid listed equities. Market capitalisation was a pitiful Ft47bn ($257m) and turnover at Ft6bn was deep in the shadow of bond trading.

The situation had much improved by 1995, but the 56 brokerages were hardly prepared for the near six-fold jump in equity turnover to Ft490bn last year. And, in spite of all the talk of a "natural correction" in 1997, the bull market continues.

Turnover at the end of April was already Ft480bn, and market capitalisation of the 46 listed stocks Ft1,250bn, up 32 per cent in four months and equal to around 18 per cent of GDP. In May, demand for a domestic offering in oil and gas company MOL was such that the allocation was doubled, investors camped out on pavements overnight and, at least at one subscription point, pushing turned to fisticuffs and the police were needed to restore order.

So Budapest might seem a classic case of an overheated market, ripe for a fall. Not as far as Mr Jarai is concerned. "I remember in the middle of last year, when starting from 1,400 the Bux broke 3,000. Everybody said it was overvalued, but prices had not increased for two years."

With Mexico in mind, investors were worried by the debt problem and doubts about the new Socialist-led coalition and its commitment to privatisation.



Source: Datastream

But the Bokros austerity package in the spring of 1995 led investors to realise the socialists were conservative in economic policy, Mr Jarai says. Although he bemoans the still strong role of government spending in the economy, he says the fundamentals, with 30 per cent growth in production in two years, are real enough to underpin the bull market.

His comments are echoed by Mr Jozsef Rotyis, bourse CEO. "First-quarter industrial output was up 7–8 per cent, and the building sector was especially strong," he says. "Company results show significant growth on first quarter 1996. Share prices depend on international trends, but the domestic environment makes us expect further increases."

Although some 50 per cent of turnover in Hungarian shares took place abroad last year, that was down from 70 per cent in 1995, and the trend is continuing.

Both men lament the reluctance of the first democratic government to privatise via the exchange, but expect new listings through the sale of some of the remaining state-owned companies, such as Raba, the truckmaker, K&H Bank, pawnbrokers BAV, and possibly MUM, the electricity company. In addition, everyone is looking forward to the offer of Matav, the restructured telecom company, by the end of this year.

Trading is still dominated by a dozen hot stocks – mostly pharmaceuticals, chemicals, MOL, and Danubius, the hotels company. With private pension funds about to take off, generating some Ft100bn for investment in the next two years, it is a question of providing quality stocks to meet the demand.

But not everybody is as positive. The contribution of the BSE is still "very modest" and liable to sudden fluctuations from foreign fund managers' whims, says Mr Peter Rona, head of the First Hungary Fund.

"If institutional demand in London or New York moves $10m–$20m, and that's not a lot in international terms, it will substantially move the market," he says.

Still, on the whole, he is confident the basis for growth is there.

Would the current Czech crisis touch the Hungarian market? "The Hungarian exchange is real, the companies are real. In Prague, the exchange is unreal, the companies unreal, regulation is a joke, and voucher privatisation is an evasion of the issue. Budapest, on the whole, is the soundest, and in quality of the companies, regulation and disclosure, it's well ahead in the region," says Mr Rona.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	30/05/97	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (449)	179.66	+2.67	+1.51	+6.37	+3.68	+19.55	+12.21
Latin America							
Argentina (22)	127.33	−0.31	−0.24	+7.44	+6.21	+20.20	+18.86
Brazil (24)	372.19	+12.37	+3.44	+29.17	+8.51	+111.16	+42.58
Chile (16)	207.65	+5.77	+2.86	+15.84	+8.26	+45.20	+27.83
Colombia (13)	248.83	+4.91	+2.01	+12.51	+5.29	+75.14	+43.26
Mexico (27)	95.93	−1.00	−1.03	+4.21	+4.59	+14.25	+17.45
Peru (12)	1,316.34	+30.40	+2.36	+53.90	+4.27	+309.12	+30.69
Venezuela (6)	71.95	+2.70	+3.91	+11.18	+18.40	+9.77	+15.71
Latin America (119)	187.13	+3.31	+1.80	+12.56	+7.20	+43.63	+30.40
Europe							
Czech Rep.(14)	79.64	−6.13	−7.15	−11.29	−12.42	−24.64	−23.63
Greece (20)	187.95	−15.13	−7.45	+19.37	+11.49	+75.65	+67.36
Poland (25)	324.63	−1.38	−0.42	−13.33	−3.94	−19.12	−5.56
Portugal (18)	178.92	−0.75	−0.42	+9.84	+5.82	+32.74	+22.40
South Africa (30)	143.03	−1.22	−0.85	−3.09	−2.12	+13.15	+10.13
Turkey (27)	173.07	+19.53	+12.72	+25.60	+17.36	+48.03	+38.41
Europe (134	136.60	−1.03	−0.75	+2.03	+1.51	+18.26	+15.43
Asia							
China (27)	63.97	+1.94	+3.13	+0.90	+1.43	+7.40	+13.26
Indonesia (30)	161.15	+11.66	+7.80	+12.45	+8.37	+4.72	+3.02
Korea (23)	89.38	+3.46	+4.03	+6.97	+6.46	+8.16	+10.05
Malaysia (24)	237.80	+4.65	+1.99	+4.46	+1.91	−42.62	−15.20
Pkistan (13)	66.32	−0.07	−0.11	+0.82	+1.25	+7.88	+13.45
Philippines (18)	271.80	+17.62	+6.93	+10.30	+3.94	−41.99	−13.38
Taiwan (31)	200.31	−1.77	−0.88	−5.71	−2.77	+14.87	+8.02
Thailand (29)	110.37	−0.69	−0.62	−15.46	−12.30	−44.79	−28.66
Asia (193)	207.43	+4.75	+2.34	+1.91	+0.93	−10.14	−4.66

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

First-quarter issuance keeps pace with 1996

Worries about rising US interest rates and signs of growing divergence in the European government bond markets failed to dent overall bond issuance in the first quarter of 1997.

In its quarterly report released today, the Bank for International Settlements says new bond issuance in the first three months of the year kept pace with last year's quarterly average.

At $206.4bn, total stand-alone and medium-term euro-note bond issues were marginally lower than in the same period in 1996 but, excluding reflows from a near-record volume of repayments, net new issuance was in line with the 1996 quarterly average of $137.6bn.

However, the apparent continuation of last year's boom conditions conceals strong trends within the three biggest markets – Europe, the US and Japan.

The growing volume of emerging market debt in the eurobond sector and the increasing use of emerging market local currency instruments – notably South African rand, Czech koruna and Philippine pesos – went some way to make up for widespread fears about higher US interest rates.

The resilience of the more popular emerging market borrowers (notably Russia, Mexico and Argentina) to cyclical trends also helped counteract growing angst about the sustainability of convergence in European government bonds.

The report argues that wider secular trends – including the ongoing development of securitisation and portfolio diversification – have contributed to the strengthening of international bond markets.

"The fact that the aggregate volume of activity remained comparable to the quarterly average for 1996 suggests expansionary forces were sufficiently powerful to offset the impact of market turbulence," says the report.

"The [US interest rate disruption] proved shorter-lived and less abrupt than in 1994. Risk premia in high-yielding market segments tended to stabilise at levels only slightly above their earlier lows, suggesting an adjustment to new market conditions."

Among the negative trends, the persistence of low interest rates in Japan and higher interest rates in the US led to lower volumes in the samurai market and in euro-yen, where total new issuance fell by 40 per cent. Despite this, Japanese buying of foreign securities – notably euro-dollar and euro-sterling bonds – helped maintain overall buoyancy in the international markets.

Total new issues also fell in the yankee bond market, where the 25 basis point rise in US interest rates in March and expectations of another rise later in the year deterred foreign investors. The increase in consumer loan delinquency and the effect of higher interest rate expectations on mortgage activity also reduced the number of securitised and asset-backed offerings in the yankee bond market.

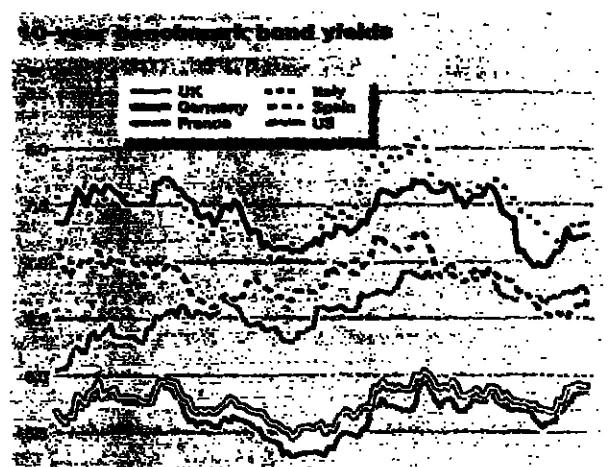
However, the more relaxed regulatory environment in the euromarkets and worries about changes in the US tax treatment of longer-dated bonds helped maintain demand for eurodollar paper outside the US. As in the US, worries over higher interest rates and a more mature investor base boosted the popularity of the 10-year market at the expense of the five-year dollar sector.

Leading emerging market borrowers, including Mexico, Argentina, Brazil and Colombia, continued to extend their yield curve, with Colombia reaching 30 years.

Convergence between spreads on Brady bonds and emerging market eurobonds also persisted, with the growing use of Brady swap arrangements to refinance sovereign paper.

Although the largest seven emerging market borrowers continued to dominate their market – accounting for more than three-quarters of the $19.6bn net raised in the first quarter – less well-known names were also able to gain the confidence of investors.

New sovereign borrowers, such as Oman and Panama, saw spreads tighten. Investor enthusiasm towards rarer issuers (including Pakistan and Slovenia in the second quarter) and the resistance of more established names to cyclical jitters underlined "the [investor] search for higher returns in a context of ample global liquidity", says the report.

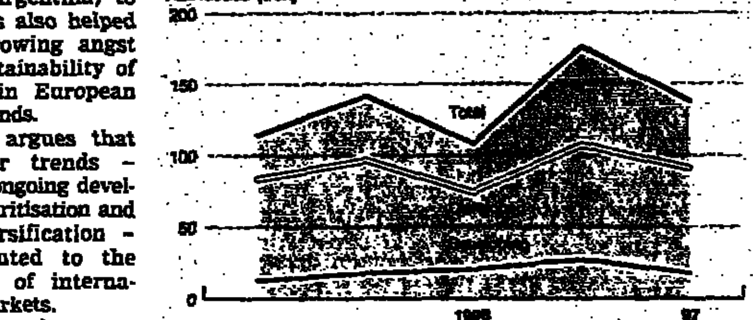


[illegible] AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.10	6.75	6.25
Overnight	n/a	n/a	3.00	3.20	6.50	n/a
Three month	4.95	0.59	3.09	3.40	6.83	6.51
One year	5.76	0.75	3.26	3.54	6.68	6.96
Five year	6.51	1.86	4.73	4.79	6.94	7.06
Ten year	6.67	2.70	5.93	5.76	7.38	7.19

[illegible]

International bonds



Source: Bank of England

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
City of Moscow(a)	500	May 2000	9.50§	99.80R	9.58	+315(6¼%-00)	CSFB/Nomura Intl
BLFA	430	Jun 2002	6.75	99.669R	6.830	+14(M 5yr)	ABN Amro/SGST
Finance for Danish Industry	350	Jun 2001	6.75	99.715R	6.834	+30(6⅝May00)	Salomon Brothers Intl
Province of British Columbia	500	Jun 2007	7.125	99.556R	7.189	+28(6⅝May07)	Merrill/SBC Warburg
Assocs Corp of Nth America	500	Jun 2007	7.375	99.621R	7.430	+50(6⅝May07)	Goldman/JP Morgan
Swedish Export Credit‡	350	Jun 2000	6.01§	99.13	6.333	-	Yamaichi Intl(Europe)
First Chicago NBD Corp(e)‡	300	Jun 2004	(e1)	99.833R	-	-	Salomon Brothers Intl
Crédit Local de France	100	Jul 2002	6.875	100.025R	6.869	+13(M 5yr)	BIL
Spintab‡	50	Dec 1998	(f)	100.10	-	-	Lehman Brothers Intl
Tokyo Electric Power Co	500	Jun 2007	7.125	99.815R	7.152	+26(6⅝May07)	Goldman/Sakura Fin
Household Bank Nevada‡	400	Jun 2004	(p)	99.655R	-	-	Morgan Stanley Intl
Petroleos Mexicanos(g)	250	Jan 2007	9.00‡	100.00R	9.00	-	UBS Securities
Rabobank Nederland(g)	250	Jun 2000	6.375	99.50R	6.564	+1(6¾May00)	Nikko Europe
Banco Hipotecario Nacional	125	Jun 1999	8.00§	99.99R	8.005	+170(6¼%-99)	Lehman Brothers Intl
Dong Ah Construction(v)§	100	Dec 2007	0.25	100.00	-	-	Jardine Fleming
D-MARKS							
Deutsche Finance Neths	500	Jun 2002	4.75	99.275R	4.917	+20(4½Feb02)	Deutsche Morgan G'fell
Republic of Slovenia	400	Jun 2004	5.75	99.043R	5.921	+43(6¾May04)	CSFB/Dresdner KB
Republic of Lebanon	250	Jan 2002	6.50	99.75R	6.560	+175(8Jan02)	Commerzbank/SocGen
Oest Kommunalkredit	200	Jul 2007	6.125	102.96	5.728	-	Bayerische Landesbank
Household Bank Nevada(h)‡	150	Apr 2002	(a,s)	99.858	-	-	ABN Amro/Merrill Lynch
Ottoman Finance	150	Jun 2000	8.00	100.00R	8.000	+388(5⅞%-00)	JP Morgan/UBS
Synthetic Basket Co(g)	100	Jul 2004	8.00	99.50R	8.096	+260(6¾%-04)	Dresdner/JP Morgan
Electrim(w)§	294.9	May 2004	2.00§	100.00	-	-	Merrill Lynch Intl
YEN							
TTB Finance Cayman(o)§	50bn	undated	(n1)§	100.00	-	-	Goldman/SBC Warburg
Galois★	35bn	Jun 2002	2.75	100.00	2.750	-	IBJ International
Republic of Portugal(t)★	10bn	Jun 1999	5.00§	100.00	5.000	-	Citibank International
STERLING							
DR Investments	100	Jun 2007	8.125	99.332R	8.226	+82(7½Dec07)	JP Morgan Securities
European Inv'ment Bank(j)	250	Dec 2006	7.625	100.963	7.469	+10½(7½-06)	HSBC Markets
Sutton Bridge Financing(r,ß)	195	Jan 2022	8.625§	99.523R	8.686	+135(8%-11)	BZW/Merrill Lynch Intl
FRENCH FRANCS							
UCPBD No 2, Class A(k)‡	2.2bn	Mar 2015	(k1)	100.00R	-	-	CNCA/Goldman Sachs
KfW International Finance‡	500	Jul 2007	(l)	100.00R	-	-	CDC Marchés
SWISS FRANCS							
CCDO(b)	150	Apr 2004	3.25	101.90	2.937	-	del Gottardo/Merrill
JP Morgan & Co(s,ß)	150	Dec 2001	2.00	99.50	-	-	SBC/WUBS
ITALIAN LIRE							
LW Rentenbank(m)	200bn	Jul 2004	7.30	101.35	-	-	BNL/MI Bank Lux
Merrill Lynch & Co(u)	150bn	Jun 2000	7.00	100.00R	-	-	Merrill Lynch Intl
GUILDERS							
Oce	300	Jun 2007	6.25	99.288	6.349	+51½(I)	ABN Amro Hope Govett
AUSTRALIAN DOLLARS							
Toyota Finance Australia	150	Jul 2001	7.00	101.685	6.514	-	BZW
Bayerische Vereinsbank	100	Jun 2000	6.50	100.74	6.222	-	Hambros Bank
LUXEMBOURG FRANCS							
Banque Paribas Luxembourg	2bn	Jul 2007	6.375	102.00	6.102	-	Banque Paribas Lux
EUROS							
Carinvest(p,l)	60	Dec 2002	5.50	101.65	5.13	-	Cera Bank
PESETAS							
De NIB	10bn	Jan 2002	5.50	100.63	5.353	-	BSN/UBS
Korea Development Bank	10bn	Jan 2000	5.45	101.00	5.080	-	BCH/Citibank España
ESCUDOS							
Achmea Hypotheekbank	9.5bn	Jun 2007	zero	53.222	6.512	-	Banco Chf
CANADIAN DOLLARS							
Bayerische Vereinsbank(a)	160	Dec 2002	6.00	99.725R	6.07	+25(7%-01)	CIBC Wood Gundy
DANISH KRONER							
Commerzbank O'seas Fin	400	Jul 2005	(c)	101.985	8.02	-	Kredietbank Intl Group
European Inv'ment Bank(s)	400	Dec 2002	5.50	102.00	5.08	-	ABN Amro/SGL
NEW ZEALAND DOLLARS							
World Bank	100	Jan 2002	7.625	101.70	7.208	-	ABN Amro/CBA
RAND							
World Bank(d)	2bn	May 2012	zero	13.59R	14.30	-	JP Morgan Securities
SCHILLINGS							
Eurofima	1bn	Jun 2002	7.875	100.25	7.813	-	Creditanstalt

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ΦWith equity warrants. ★Unlisted. ßSemi-annual coupon and yield. R: fixed re-offer price. a) Fungible with DM500m. a1) 3-mth Libor +¼%. b) Fungible with SFr150m. Plus 71 days accrued. c) 5% to 7/7/01, then 8%. d) Fungible with R1bn. e) Callable from Jun 01 at par. e1) 3-mth Libor +7½bp. f) 6-mth Libor flat. g) Linked to basket of emerging market sovereign credits. h) Redeemed in US$. i) Over interpolated yield. j) Fungible with £700m. Plus 182 days accrued. k) Union de Crédit pour le Batiment Domos. 10% cleanup call. Average life: 4.1 yrs. k1) 3-mth Pibor +10bp. k2) Class B: FFr182.9m, 3-mth Pibor +37½bp. par, via Sumitomo Finance. l) Long 1st coupon. m) Issuers option to exchange from 1/7/99 into FRN paying 6-mth Libor +15bp. n) Payments in Ecu prior to Emu. o) Exchangeable into shares of Toyo Trust & Banking Co at Y831. Annual downward resets, min Y400. Callable from 30/9/02 at par. o1) 0.75% to 30/9/02, then 6-mth Libor +250bp. p) 3-mth Libor +15bp. q) $250m launched 21/5/97 was increased to $500m. r) Amortises after 5 yrs. Average life: 14 yrs. Spens call provision. Also launched: $150m in US 144a market. s) Short 1st coupon. t) Fungible with SFr250m. Plus 124 days accrued. u) Issuers option to exchange on 12/6/98 & 99 into FRN paying 6-mth Libor +20bp. v) Convertible into shares or EDRs at Won 20,000. FX 892.6 Won/$. Puttable on 10/6/02 at 141.828%. Callable from 11/6/98, subject to 130% hurdle until 10/6/00 and 142% thereafter, at accreted value until 10/6/02 and then par. w) Conversion price: zloty 32.6. FX 1.865 zloty/DM. Puttable on 30/5/02 at 115.30%. Callable from 30/11/99, subject to 130% hurdle, at par. x) 4¼% to 3/7/02, then Tec-10 +120bp. Note: Yields are calculated on ISMA basis.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

May 30		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.6399	+0.0567	294 - 463	19.6679	19.5443	19.5854	3.3	19.4974	2.9	-	-	103.1
Belgium	(BFr)	57.6068	+0.1681	532 - 604	57.6990	57.3920	57.4518	3.2	57.1368	3.3	55.7068	3.3	103.0
Denmark	(DKr)	10.6196	+0.0246	147 - 245	10.6402	10.5790	10.5941	2.8	10.5416	2.9	10.3201	2.8	105.8
Finland	(FM)	8.4085	+0.0174	004 - 165	8.4310	8.3850	-	-	-	-	-	-	82.3
France	(FFr)	9.4258	-0.0127	187 - 328	9.4484	9.3828	9.4016	3.1	9.3537	3.1	9.1311	3.1	105.6
Germany	(DM)	2.7903	+0.0083	890 - 915	2.7976	2.7770	2.7827	3.3	2.7687	3.4	2.6984	3.4	104.4
Greece	(Dr)	445.810	-0.229	298 - 323	447.158	443.709	-	-	-	-	-	-	65.0
Ireland	(I£)	1.0835	-0.0028	824 - 845	1.0880	1.0824	1.0836	-0.1	1.0826	0.8	1.0756	0.7	98.2
Italy	(L)	2767.79	+15.3	579 - 978	2777.56	2757.13	2769.69	-0.8	2771.09	-0.5	2767.19	0.4	75.8
Luxembourg	(LFr)	57.6068	+0.1681	532 - 604	57.6990	57.3920	57.4518	3.2	57.1368	3.3	55.7068	3.3	103.0
Netherlands	(Fl)	3.1391	+0.0085	377 - 404	3.1458	3.1257	3.1306	3.2	3.1126	3.4	3.0345	3.3	102.7
Norway	(NKr)	11.6381	+0.05	304 - 457	11.6920	11.5537	11.6076	3.1	11.5481	3.1	11.3021	2.9	98.0
Portugal	(Es)	282.325	+0.542	157 - 493	282.968	281.466	282.175	0.6	281.8	0.7	-	-	93.6
Spain	(Pta)	236.067	+0.598	921 - 212	236.620	235.290	235.907	0.8	235.467	1.0	232.712	1.4	77.6
Sweden	(SKr)	12.6433	+0.0147	333 - 533	12.6752	12.6114	12.6218	2.0	12.5738	2.2	12.3786	2.1	83.2
Switzerland	(SFr)	2.3144	+0.0092	131 - 156	2.3191	2.3062	2.3051	4.8	2.2859	4.9	2.202	4.9	106.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	99.3
Ecu	-	1.4334	+0.0039	325 - 343	1.4359	1.4270	1.4307	2.2	1.4248	2.4	1.3977	2.5	-
SDR†	-	1.177469	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6352	-0.0043	347 - 357	1.6417	1.6347	-	-	-	-	-	-	-
Brazil	(R$)	1.7529	-0.0084	521 - 537	1.7615	1.7521	-	-	-	-	-	-	-
Canada	(C$)	2.2566	-0.0063	555 - 577	2.2694	2.2555	2.2504	3.3	2.2399	3.1	2.1972	2.6	84.8
Mexico	(New Peso)	12.9506	-0.0219	433 - 578	13.0003	12.9387	-	-	-	-	-	-	-
USA	($)	1.6360	-0.0037	355 - 365	1.6420	1.6355	1.635	0.7	1.6329	0.7	1.6251	0.7	102.7
Pacific/Middle East/Africa													
Australia	(A$)	2.1491	+0.0036	477 - 505	2.1582	2.1332	2.1485	0.3	2.1466	0.5	2.1365	0.6	93.7
Hong Kong	(HK$)	12.6766	-0.027	719 - 812	12.7214	12.6719	12.6707	0.6	12.6601	0.5	12.6253	0.4	-
India	(Rs)	58.5279	-0.1652	691 - 867	58.7340	58.4691	-	-	-	-	-	-	-
Israel	(Shk)	5.5562	-0.0008	493 - 630	5.5670	5.5493	-	-	-	-	-	-	-
Japan	(Y)	190.643	+0.487	503 - 783	191.250	190.050	189.593	6.7	187.573	6.4	178.758	6.2	130.3
Malaysia	(M$)	4.1108	-0.0062	087 - 129	4.1255	4.1087	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3688	-0.0057	672 - 704	2.3820	2.3672	2.3686	0.1	2.3696	-0.1	2.3767	-0.3	113.4
Philippines	(Peso)	43.1495	-0.096	954 - 036	43.1772	43.0954	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1359	-0.0139	338 - 380	6.1562	6.1338	-	-	-	-	-	-	-
Singapore	(S$)	2.3387	-0.0066	371 - 402	2.3469	2.3371	-	-	-	-	-	-	-
South Africa	(R)	7.3113	-0.0157	066 - 160	7.3404	7.3053	-	-	-	-	-	-	-
South Korea	(Won)	1458.50	-4.93	478 - 221	1482.79	1454.78	-	-	-	-	-	-	-
Taiwan	(T$)	45.5954	-0.1031	487 - 420	45.7297	45.5487	-	-	-	-	-	-	-
Thailand	(Bt)	40.7692	-1.01	749 - 634	42.3400	40.6749	-	-	-	-	-	-	-

† Rates for May 29. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. Owing to technical problems at The WM Company on May 26th, the mid rate and forward rates for the US Dollar on May 27th were incorrect. For correct data please contact the FT Readers Enquiry Service. Fax No. 0171 873 3064.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 30		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.0042	+0.0629	021 - 063	12.0053	11.9235	11.9817	2.2	11.938	2.4	11.6842	2.7	102.7
Belgium	(BFr)	35.2120	+0.162	900 - 340	35.2700	34.9800	35.137	2.6	34.982	2.6	34.242	2.8	102.9
Denmark	(DKr)	6.4912	+0.0297	902 - 922	6.4929	6.4521	6.4794	2.2	6.4547	2.2	6.3427	2.3	105.1
Finland	(FM)	5.1397	+0.0222	363 - 430	5.1475	5.1145	5.1278	2.8	5.1034	2.8	4.9952	2.8	81.6
France	(FFr)	5.7615	+0.0053	589 - 640	5.7725	5.7247	5.7498	2.4	5.7271	2.4	5.612	2.6	105.2
Germany	(DM)	1.7055	+0.0099	053 - 058	1.7083	1.6941	1.7019	2.6	1.6942	2.7	1.6573	2.8	104.1
Greece	(Dr)	272.500	+0.475	270 - 730	273.190	270.820	273.385	-3.9	274.925	-3.6	281.2	-3.2	64.5
Ireland	(I£)	1.5100	+0.0005	090 - 110	1.5145	1.5052	1.5093	0.5	1.5088	0.3	1.5055	0.3	-
Italy	(L)	1691.80	+13.14	110 - 250	1695.25	1682.20	1693.7	-1.3	1696.4	-1.1	1698.67	-0.4	75.7
Luxembourg	(LFr)	35.2120	+0.162	900 - 340	35.2700	34.9800	35.137	2.6	34.982	2.6	34.242	2.8	102.9
Netherlands	(Fl)	1.9188	+0.0096	185 - 190	1.9229	1.9071	1.9147	2.6	1.9061	2.6	1.8657	2.8	102.6
Norway	(NKr)	7.1137	+0.0465	112 - 162	7.1345	7.0498	7.0984	2.9	7.0709	2.4	6.9482	2.4	97.5
Portugal	(Es)	172.570	+0.72	520 - 620	172.920	171.730	172.555	0.1	172.49	0.2	171.18	0.8	94.0
Spain	(Pta)	144.295	+0.69	250 - 340	144.600	143.530	144.295	0.0	144.218	0.2	142.98	0.9	77.3
Sweden	(SKr)	7.7282	+0.0264	244 - 319	7.7398	7.6667	7.7188	1.5	7.6982	1.6	7.6037	1.6	83.1
Switzerland	(SFr)	1.4147	+0.0052	143 - 150	1.4170	1.4050	1.4099	4.1	1.4001	4.1	1.3544	4.3	106.2
UK	(£)	1.6360	-0.0037	355 - 365	1.6420	1.6355	1.635	0.7	1.6329	0.7	1.6251	0.7	98.8
Ecu	-	1.1414	-0.0057	410 - 417	1.1496	1.1391	1.1428	-1.5	1.1452	-1.7	1.1638	-2.0	-
SDR†	-	0.71902	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	-0.0004	995 - 995	0.9995	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	1.0715	-0.0027	713 - 716	1.0740	1.0710	-	-	-	-	-	-	-
Canada	(C$)	1.3794	-0.0007	791 - 796	1.3832	1.3780	1.3784	2.8	1.3709	2.5	1.3519	2.0	84.2
Mexico	(New Peso)	7.9160	+0.0045	140 - 180	7.9190	7.9140	8.0245	-16.4	8.228	-15.7	9.221	-16.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	103.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3136	+0.0051	132 - 141	1.3144	1.3043	1.314	-0.4	1.3141	-0.2	1.3131	0.0	95.8
Hong Kong	(HK$)	7.7485	+0.001	480 - 490	7.7490	7.7464	7.7495	-0.2	7.7509	-0.1	7.761	-0.2	-
India	(Rs)	35.7750	-0.02	500 - 000	35.8000	35.7500	35.865	-3.0	36.15	-4.2	33.955	5.1	-
Israel	(Shk)	3.3962	+0.0071	930 - 993	3.3993	3.3882	-	-	-	-	-	-	-
Japan	(Y)	116.530	+0.56	480 - 580	116.780	115.880	115.975	5.7	114.87	5.7	109.97	5.6	131.5
Malaysia	(M$)	2.5127	+0.0019	122 - 132	2.5167	2.5095	2.515	-1.1	2.5191	-1.0	2.536	-0.9	-
New Zealand	(NZ$)	1.4479	-0.0002	474 - 484	1.4489	1.4474	1.4487	-0.7	1.4511	-0.9	1.4612	-0.9	-
Philippines	(Peso)	26.3750	+0.001	500 - 000	26.4000	26.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 507	3.7507	3.7504	3.7508	-0.1	3.7513	-0.1	3.7542	-0.1	-
Singapore	(S$)	1.4295	-0.0008	290 - 300	1.4323	1.4285	1.4279	1.4	1.4238	1.6	1.402	1.9	-
South Africa	(R)	4.4690	+0.0005	675 - 705	4.4730	4.4580	4.5085	-10.6	4.586	-10.5	4.884	-9.3	-
South Korea	(Won)	891.500	-1	500 - 500	893.500	889.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.8700	-	500 - 900	27.9020	27.8500	27.8707	0.0	27.872	0.0	27.8763	0.0	-
Thailand	(Bt)	24.9200	-0.56	700 - 700	25.8300	24.8400	24.9813	-2.9	25.105	-3.0	25.675	-3.0	-

† SDR rate per $ for May 29. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 29: Base average 1990=100. Owing to technical problems at The WM Company on May 26th, mid rates derived by WM/Reuters and published on May 27th were incorrect. For correct data please contact the FT Readers Enquiries Service: Fax No. 0171 873 3064.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

May 30	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3⅛	3⅜	3½	3⅞	6.00	2.50	-
week ago	3⅛	3¼	3⅜	3½	3⅞	6.00	2.50	-
France	3¼	3⅛	3⅜	3½	3⅝	3.10	-	4.75
week ago	3⅛	3⅛	3⅜	3½	3⅝	3.10	-	4.75
Germany	3	3⅛	3¼	3⅜	3½	4.50	2.50	3.00
week ago	3	3⅛	3¼	3⅜	3½	4.50	2.50	3.00
Ireland	6¼	6¼	6¼	6⅜	6⅝	-	-	6.75
week ago	6	6¼	6¼	6⅜	6⅝	-	-	6.75
Italy	6[illegible]	6[illegible]	6[illegible]	6[illegible]	6⅜	8.25	6.75	6.78
week ago	6⅜	6[illegible]	6[illegible]	6½	6¾	8.25	6.75	6.78
Netherlands	3⅛	3¼	3¼	3⅜	3⅝	-	3.00	2.90
week ago	3⅛	3¼	3¼	3⅜	3[illegible]	-	3.00	2.90
Switzerland	⅛	⅞	1	1¼	1⅜	-	1.00	-
week ago	1[illegible]	⅞	1[illegible]	1[illegible]	1⅜	-	1.00	-
US	5⅝	5⅝	5[illegible]	5[illegible]	6⅛	-	5.00	-
week ago	5⅝	5⅝	5[illegible]	5[illegible]	6⅛	-	5.00	-
Japan	½	[illegible]	[illegible]	⅝	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	½	⅝	¾	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5[illegible]	5[illegible]	6	6⅜	-	-	-
week ago	-	5[illegible]	5[illegible]	5[illegible]	6¼	-	-	-
US Dollar CDs	-	5.50	5.65	5.77	6.07	-	-	-
week ago	-	5.50	5.59	5.72	6.01	-	-	-
ECU Linked Ds	-	4¼	4¼	4⅜	4⅜	-	-	-
week ago	-	4¼	4¼	4⅜	4⅜	-	-	-
SDR Linked Ds	-	3½	3⅝	3¾	3[illegible]	-	-	-
week ago	-	3½	3⅝	3¾	3[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 30	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¼ - 3¼	3[illegible] - 3[illegible]	3 7/16 - 3 5/16	3 7/16 - 3 5/16	3⅝ - 3[illegible]	3[illegible] - 3[illegible]
Danish Krone	3[illegible] - 3[illegible]	3[illegible] - 3½	3⅝ - 3½	3[illegible] - 3[illegible]	3¾ - 3[illegible]	3[illegible] - 3[illegible]
German Mark	3[illegible] - 2[illegible]	3[illegible] - 3	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]
Dutch Guilder	3⅜ - 3¼	3[illegible] - 3⅛	3[illegible] - 3[illegible]	3⅜ - 3¼	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]
French Franc	3[illegible] - 3[illegible]	3⅜ - 3⅛	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]
Portuguese Esc.	6⅛ - 6	6[illegible] - 6	6[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]
Spanish Peseta	5[illegible] - 5[illegible]	5⅜ - 5[illegible]	5[illegible] - 5[illegible]	5¼ - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]
Sterling	6⅜ - 6¼	6⅜ - 6¼	6½ - 6[illegible]	6[illegible] - 6[illegible]	6¾ - 6[illegible]	7[illegible] - 6[illegible]
Swiss Franc	¾ - ⅜	[illegible] - ¾	[illegible] - [illegible]	1[illegible] - 1⅛	1[illegible] - 1[illegible]	1[illegible] - 1[illegible]
Canadian Dollar	3¼ - 3	3⅛ - 3	3⅛ - 3	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	4[illegible] - 3[illegible]
US Dollar	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5⅞	6[illegible] - 6⅛
Italian Lira	7½ - 6½	6[illegible] - 6⅞	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]
Japanese Yen	[illegible] - 0½	[illegible] - [illegible]	0[illegible] - 0[illegible]	⅝ - 0[illegible]	[illegible] - 0[illegible]	0[illegible] - 0¾
Asian $Sing	4 - 3⅞	4⅛ - 4	3[illegible] - 3[illegible]	3⅞ - 3¾	3⅞ - 3¾	3[illegible] - 3[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.18	94.19	+1.13	94.20	94.17	54,054	420,187
Sep	93.95	94.00	-0.02	94.03	93.95	58,705	474,544
Dec	93.71	93.77	-0.18	93.89	93.70	70,846	373,885

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.88	94.94	+0.05	94.95	94.88	520	4,197
Sep	94.58	94.64	+0.08	94.67	94.57	25	5,520

All Open Interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 30		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.43	16.36	4.844	1.881	4805	5.449	20.20	490.1	409.8	21.95	4.018	1.736	3.917	2.840	330.9	2.488
Denmark	(DKr)	54.25	10	8.876	2.628	1.020	2606	2.956	10.96	265.9	222.3	11.91	2.179	0.942	2.125	1.541	179.5	1.350
France	(FFr)	61.12	11.27	10	2.960	1.149	2936	3.330	12.35	299.5	250.4	13.41	2.455	1.061	2.394	1.736	202.3	1.521
Germany	(DM)	20.64	3.806	3.378	1	0.388	991.9	1.125	4.171	101.2	84.60	4.531	0.829	0.358	0.809	0.586	68.32	0.514
Ireland	(I£)	53.17	9.802	8.700	2.575	1	2555	2.897	10.74	260.6	217.9	11.67	2.136	0.923	2.083	1.510	176.0	1.323
Italy	(L)	2.081	0.384	0.341	0.101	0.039	100	0.113	0.420	10.20	8.529	0.457	0.084	0.036	0.082	0.059	6.888	0.052
Netherlands	(Fl)	18.35	3.383	3.003	0.889	0.345	881.7	1	3.707	89.94	75.20	4.028	0.737	0.319	0.719	0.521	60.73	0.457
Norway	(NKr)	49.50	9.125	8.099	2.398	0.931	2378	2.697	10	242.6	202.8	10.86	1.989	0.859	1.939	1.406	163.8	1.232
Portugal	(Es)	20.40	3.761	3.339	0.988	0.384	980.4	1.112	4.122	100	83.62	4.478	0.820	0.354	0.799	0.579	67.53	0.508
Spain	(Pta)	24.40	4.499	3.993	1.182	0.459	1172	1.330	4.930	119.6	100	5.356	0.980	0.424	0.956	0.693	80.76	0.607
Sweden	(SKr)	45.56	8.399	7.455	2.207	0.857	2189	2.483	9.205	223.3	186.7	10	1.831	0.791	1.785	1.294	150.8	1.134
Switzerland	(SFr)	24.89	4.588	4.073	1.206	0.468	1196	1.356	5.028	122.0	102.0	5.463	1	0.432	0.975	0.707	82.37	0.619
UK	(£)	57.61	10.62	9.426	2.790	1.083	2768	3.139	11.64	282.3	236.1	12.64	2.314	1	2.257	1.636	190.6	1.433
Canada	(C$)	25.53	4.706	4.177	1.236	0.480	1226	1.391	5.157	125.1	104.6	5.603	1.026	0.443	1	0.725	84.48	0.635
USA	($)	35.21	6.491	5.762	1.706	0.662	1692	1.919	7.114	172.6	144.3	7.728	1.415	0.611	1.379	1	116.5	0.876
Japan	(Y)	30.22	5.570	4.944	1.464	0.568	1452	1.647	6.105	148.1	123.8	6.632	1.214	0.525	1.184	0.858	100	0.752
Ecu	-	40.19	7.409	6.576	1.947	0.756	1931	2.190	8.120	197.0	164.7	8.821	1.615	0.698	1.574	1.141	133.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. Owing to technical problems at The WM Company on May 26th, the rates published on May 27th were incorrect. For correct data please contact the FT Readers Enquiry Service. Fax No. 0171 873 3064.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.5900	0.5872	-0.0026	0.5909	0.5852	14,725	74,420
Sep	0.5922	0.5910	-0.0026	0.5941	0.5892	414	5,123
Dec	-	0.5950	-0.0027	-	-	49	533

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.7104	0.7093	-0.0005	0.7134	0.7070	12,779	44,601
Sep	0.7170	0.7176	-0.0005	0.7218	0.7151	364	6,073
Dec	-	0.7261	-0.0004	0.7295	-	7	443

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.8618	0.8622	+0.0007	0.8652	0.8582	9,892	77,247
Sep	0.8708	0.8736	+0.0006	0.8765	0.8706	682	5,799
Dec	0.8855	0.8851	+0.0005	0.8855	0.8855	44	852

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	1.6388	1.6404	+0.0018	1.6416	1.6346	4,454	36,625
Sep	1.6360	1.6372	+0.0018	1.6386	1.6300	84	4,815
Dec	1.6330	1.6342	+0.0018	1.6350	1.6330	1	117

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.620	2.31	2.84	3.40	0.391	1.01	1.69
1.630	1.57	2.26	2.82	0.63	1.39	2.11
1.640	1.02	1.73	2.36	1.05	1.86	2.55

Previous day's vol., Calls 134 Puts 215. Prev. day's open int., Calls 28,488 Puts 36,320

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
0.585	0.55	0.90	1.21	0.38	0.62	0.83
0.590	0.32	0.64	0.97	0.64	0.87	1.07
0.595	0.18	0.45	0.76	1.00	1.19	1.34

Previous day's vol., Calls 110 Puts 172. Prev. day's open int., Calls 24,329 Puts 33,250

UK INTEREST RATES

LONDON MONEY RATES

May 30	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 5½	6[illegible] - 6[illegible]	6½ - 6[illegible]	6⅝ - 6½	6[illegible] - 6[illegible]	7[illegible] - 6⅞
Sterling CDs	-	-	6[illegible] - 6¼	6[illegible] - 6[illegible]	6[illegible] - 6½	6[illegible] - 6[illegible]
Treasury Bills	-	-	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	-	-
Bank Bills	-	-	6[illegible] - 6[illegible]	6[illegible] - 6¼	6[illegible] - 6[illegible]	-
Local authority deps.	6[illegible] - 6	6⅛ - 6[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	7 - 6[illegible]
Discount Market deps	6[illegible] - 6⅛	6[illegible] - 6¼	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from May 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on May 30, 6.2108pc. ECGD fixed rate Stlg. Export Finance. Make up day May 30, 1997. Agreed rate for period Jun 25, 1997 to Jul 25, 1997, Scheme III 7.78pc. Reference rate for period May 1, 1997 to May 30, 1997, Schemes IV & V 6.530pc. Finance House Base Rate 6½pc from May 1, 1997

BANK OF ENGLAND TREASURY BILL TENDER

	May 30	May 23		May 30	May 23
Bills on offer	£200m	£200m	Top accepted rate	6.2571%	6.1368%
Total of applications	£951m	£1218m	Ave. rate of discount	6.2108%	6.1156%
Total allocated	£200m	£200m	Average yield	6.3085%	6.2102%
Min. accepted bid	£98.440	£98.470	Offer at next tender	£200m	£200m
Allotment at min. level	70%	2%	Min. accept. bid 92 days	-	-

■ Pound in New York

May 30	--Close --	-- Prev. close --
£ spot	1.6405	1.6405
1 mth	1.6395	1.6394
3 mth	1.6372	1.6372
1 yr	1.6390	1.6294

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	●Singer & Friedlander	6.25
Allied Irish Bank (GB)	6.25	Exeter Bank Limited	7.25	●Smith & Williamson Secs	6.25
●Henry Ansbacher	6.25	Financial & Gen Bank	7.00	Scottish Widows Bank	6.00
Bank of Baroda	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	United Bank of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.00
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.00	Heritable & Gen Inv Bk	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	C. Hoare & Co	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	Hongkong & Shanghai	6.25		
Brit Bk of Mid East	6.25	Investec Bank (UK) Ltd	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Midland Bank	6.25		
Coutts & Co	6.25	NatWestminster	6.25		
Cyprus Popular Bank	6.25	●Rea Brothers	6.25		
		Royal Bk of Scotland	6.25		

● Members of London Investment Banking Association
* In administration

OTHER STATISTICS

STOCK INDICES

	May 30	May 29	May 28	May 27	May 23	1997 High	1997 Low	Since comp. High	Since comp. Low
FTSE 100	4621.3	4672.3	4677.5	4681.6	4661.8	4693.9	4055.6	4693.9	986.9
FTSE 250	4495.8	4508.2	4508.0	4508.0	4508.7	4729.4	4469.4	4728.4	1379.4
FTSE 250 ex IT	4505.0	4517.8	4517.3	4518.5	4518.9	4773.8	4503.5	4773.8	1378.3
FTSE 350	2240.8	2261.9	2263.9	2265.6	2257.7	2272.1	3017.9	2272.1	664.5
FTSE SmallCap	2294.19	2298.88	2299.79	2300.24	2299.81	2374.29	2178.29	2374.30	1363.79
FTSE SmallCap ex IT	2282.52	2286.91	2288.02	2290.03	2291.01	2382.36	2190.80	2382.36	1363.79
FTSE All-Share	2200.91	2220.52	2222.40	2223.91	2216.70	2230.98	1889.78	2230.98	61.92
FTSE Fledgling	1281.98	1284.79	1287.09	1287.77	1290.32	1348.62	1223.48	1348.62	31.14
FTSE Eurotrack 100	2312.24	2342.35	2352.26	2370.09	2367.18	2370.69	1893.80	2370.09	900.45
FTSE Eurotrack 200	2351.37	2381.16	2398.28	2392.37	2381.76	2392.37	1947.11	2392.37	938.52
FT 30	2971.5	2997.8	3000.5	3002.7	3003.0	3018.6	2762.5	3018.6	49.4
FT Govt Securities	96.08	95.74	95.82	95.87	95.91	97.61	93.31	127.40	49.18
FT Fixed Interest	120.00	120.02	119.80	120.35	120.52	121.56	113.85	133.87	50.53
FTSE Gold Mines	1589.89	1588.47	1563.70	1577.59	1553.37	1987.49	1468.80	2528.73	922.16

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997 High	1997 Low	Stock	Closing price p	+or-
8	Nil	2/6	¾pm	½pm	Bolton Grp Intl	½pm	
196	Nil	3/6	57½pm	47½pm	Enterprise Inns	54½pm	-1½
10	Nil	19/6	1½pm	1¼pm	Tadpole Tech	1¼pm	

pm premium.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	3,562	655	532½	Alliance & Leic	612	-2½	L16.3	2.5	3.3	15.0
§	F.P.	95.0	1300	820	Aston Villa	830	+2½	R8.8	1.8	1.3	45.6
-	F.P.	3,932	306½	258½	Cable & Wireless	264	+4	-	-	-	-
-	F.P.	-	102	97½	Caradon B	99½		-	-	-	-
100	F.P.	25.0	100	100	Downing Hi VCT	100		-	-	-	-
§40	F.P.	3.41	42½	30	†Eagles	35	+½	-	-	-	-
*	F.P.	1,901	312½	271½	Gallaher	275½		19.25	1.4	8.7	10.5
§140	F.P.	10.7	147½	105½	Heart of Midlthn	105½	-2	-	-	-	-
§	F.P.	7.16	164½	159½	†ITG	159½		-	-	-	-
100	F.P.	3.17	105½	102½	†Integrated As Mg	105½		-	-	-	-
§110	F.P.	5.17	130½	122½	†Lady in Leisure	124½		b-	-	-	-
§	F.P.	3.76	119½	112½	Longbridge Intl	119½		-	-	-	18.7
50	F.P.	19.6	54½	47½	†NMT	50		-	-	-	-
§10	F.P.	4.93	14¾	11½	†Newmark Tech	11¾		-	-	-	-
100	F.P.	8.00	100	100	Penine AIM VCT	100		-	-	-	-
-	F.P.	19.7	70½	38½	†Petra Diamonds	67½		-	-	-	-
-	F.P.	0.83	49½	13½	†Do Warrants	49½		-	-	-	-
143	F.P.	21.8	155½	150	Qualceram	155½		22.6%	-	1.5	-
§100	F.P.	10.6	108½	102½	†Soccer Investmnt	105½		-	-	-	-
-	F.P.	116.7	262½	234½	†Soco Intl	236½	-4½	-	-	-	-
§3	F.P.	5.04	4	3½	Versatile Group	3½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

BANK RETURN

BANKING DEPARTMENT	Wednesday May 28 1997	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	597,353,466	-145,083,705
Bankers deposits	2,101,629,842	-204,818,743
Reserve and other accounts	3,319,138,032	+190,826,513
	6,032,674,340	-159,075,935
Assets		
Government securities	1,410,132,740	+14,171,250
Advance and other accounts	3,543,224,047	-489,557,414
Premise, equipment and other secs	1,074,492,846	+316,734,558
Notes	4,725,018	-434,221
Coin	99,689	+9,892
	6,032,674,340	-159,075,935
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	21,775,274,982	+310,434,221
Notes in Banking Department	4,725,018	-434,221
	21,780,000,000	+310,000,000
Assets		
Other Government securities	14,506,590,619	+107,674,585
Other Securities	7,273,409,381	+202,325,415
	21,780,000,000	+310,000,000

FTSE GOLD MINES INDEX

	May 30	% chg since 31/12/96	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1589.89	-14.0	43.60	100.00	2.16	-	2376.98	1468.80
■ Regional Indices								
Africa (14)	1734.77	-18.4	10.32	23.72	5.13	27.56	3144.05	1724.86
Australasia (6)	1739.12	-21.6	4.57	10.51	3.01	19.41	2677.22	1739.12
North America (11)	1510.69	-10.5	28.61	65.77	0.95	62.22	2126.45	1335.84

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial.

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Treas Cnv 7pc 1997‡‡		100[illegible]	-.1	1,988	Fe6 Au6	28.1	4491
Treas 8¾pc 1997‡‡		100[illegible]	-.1	5,550	Mr1 Se1	20.2	1341
Exch 15pc 1997		103[illegible]	-.1	830	Ap27 Oc27	17.4	1269
Exch 9¾pc 1998		102	—	3,550	Jy19 Ja19	9.1	1273
Treas 7¼pc 1998‡‡		100[illegible]	-.1	8,150	Se30 Mr30	19.3	1788
Treas 15½pc '98‡‡		110[illegible]	-.2	935	Mr30 Se30	19.3	1308
Exch 12pc 1998		107[illegible]	-.1	3,909	My20 Nv20	9.5	1259
Treas 9½pc 1999‡‡		104	—	1,900	Jy15 Ja15	6.1	1347
Treas Fltg Rate 1999‡‡		100[illegible]	—	5,700	[illegible]	2.12	4945
Exch 12¼pc 1999		108[illegible]	-.1	3,050	Se26 Mr26	17.3	1264
Treas 10½pc 1999		106½	-.1	1,252	Nv19 My19	8.5	1288
Treas 6pc 1999‡‡		98¼	-.1	8,956	Fe10 Au10	30.1	3635
Conversion 10¼pc 1999		107[illegible]	-.1	1,798	My22 Nv22	13.5	1242
Conv 9pc 2000‡‡		104[illegible]	-.1	5,358	Se3 Mr3	20.2	1244
Treas 13pc 2000		116⅛	-.1	3,171	Ja14 Jy14	3.1	1299
Treas 14pc 1998-1		106[illegible]	-.2	970	Nv22 My22	13.5	1305
Treas 8pc 2000‡‡		103[illegible]xd	—	9,800	Ja7 De7	29.5	4948
Treas Fltg Rate 2001		100[illegible]	—	3,000	[illegible]	7.4	-
Treas 10pc 2001		109⅜	-.1	4,406	Au26 Fe26	17.2	1280
Treas 7pc 2001‡‡		99[illegible]	—	12,750	My6 Nv6	24.4	3031
Five to Fifteen Years							
Treas 7pc 2002‡‡		99[illegible]xd	—	4,000	De7 Ja7	29.5	-
Treas 9¾pc 2002		111[illegible]	—	6,527	Fe27 Au27	18.2	1349
Treas 8pc 2003‡‡		104[illegible]xd	—	8,680	Je10 De10	30.5	2010
Treas 10pc 2003		114	0.1	2,503	Mr8 Se8	27.2	1281
Treas 11½pc 2001-4		114[illegible]	—	1,620	Se19 Mr19	10.3	1290
Funding 3½pc 1999-4		85[illegible]	0.4	543	Ja14 Jy14	3.1	1274
Conversion 9½pc 2004		113[illegible]	—	3,412	Ap25 Oc25	16.4	1246
Treas 6¾pc 2004‡‡		97¼	—	6,500	My26 Nv26	15.5	3541
Conv 9½pc 2005		113[illegible]	—	4,842	Oc18 Ap18	9.4	1247
Treas 12½pc 2003-5		127[illegible]	0.1	2,200	My21 Nv21	12.5	1295
Treas 8½pc 2005‡‡		108[illegible]xd	0.1	10,373	Ja7 De7	29.5	4946
Treas 7½pc 2006‡‡		101[illegible]xd	—	11,700	Ja7 De7	29.5	1146
Treas 7¾pc 2006‡‡		103[illegible]	—	4,000	Mr8 Se8	27.2	2300
Treas 8pc 2002-6‡‡		102[illegible]	-.1	2,050	Ap5 Oc5	25.3	1334
Treas 11¾pc 2003-7		120[illegible]	—	3,150	Jy22 Ja22	13.1	1293
Treas 8½pc 2007‡‡		109[illegible]	—	7,397	Ja16 Jy16	7.1	1339
Treas 7¼pc 2007‡‡		100[illegible]xd	0.1	5,000	Ja7 De7	29.5	-
Treas 9pc 2008‡‡		113[illegible]	0.1	5,621	Ap13 Oc13	3.4	1343
Treas 8pc 2009		105⅛	-.2	3,450	Mr25 Se25	14.3	1336
Treas 6¼pc 2010‡‡		91[illegible]	—	4,750	Mr25 Nv25	15.5	4632
Conv 9pc Ln 2011‡‡		114[illegible]	—	5,273	Jy12 Ja12	2.1	1245
Over Fifteen Years							
Treas 9pc 2012‡‡		115[illegible]	0.1	5,360	Fe6 Au6	28.1	1701
Treas 5½pc 2008-12‡‡		85[illegible]	-.1	1,000	Mr10 Se10	27.2	1330
Treas 8pc 2013‡‡		108[illegible]	0.1	6,100	Mr27 Se27	18.3	2229
Treas 7¾pc 2012-15‡‡		103[illegible]	0.1	800	Jy26 Ja26	10.1	1332
Treas 8pc 2015‡‡		107[illegible]xd	0.1	13,787	Ja7 De7	28.5	4992
Treas 8¾pc 2017‡‡		115⅛	0.1	7,550	Fe25 Au25	14.2	1692
Treas 8pc 2021‡‡		108[illegible]xd	0.2	11,508	Ja7 De7	29.5	-
Undated							
Consols 4pc		59[illegible]	0.5	358	Au1 Fe1	24.1	1238
War Loan 3½pc‡‡		47[illegible]xd	-.3	1,909	Je1 De1	16.5	1352
Conv 3½pc '61 Aft.		64[illegible]	-1.6	115	Ap1 Oc1	19.3	1243
Treas 3pc '66 Aft.		39[illegible]	—	56	Ap5 Oc5	25.3	1324
Consols 2½pc		33[illegible]	-.7	275	[illegible]	25.3	1236
Treas 2½pc		33[illegible]	-.9	475	Ap1 Oc1	18.3	1315
Index-Linked	(b)						
4⅝pc '98‡‡	(135.6)	114[illegible]	-.1	800	Ap27 Oc27	17.4	1763
2½pc '01	(78.3)	186¼	-.2	2,150	Mr24 Se24	13.3	1316
2½pc '03	(78.8)	181[illegible]	-.2	2,300	My20 Nv20	9.5	1317
4⅜pc '04‡‡	(135.6)	117[illegible]	-.3	1,159	Ap21 Oc21	10.4	1395
2pc '06	(69.5)	191[illegible]	-.2	2,350	Ja19 Jy19	9.1	1314
2½pc '09	(78.8)	171[illegible]	-.2	2,400	My20 Nv20	8.5	1318
2½pc '11	(74.6)	177[illegible]	-.2	2,950	Fe23 Au23	13.2	1319
2½pc '13	(89.2)	146[illegible]	-.2	3,400	Fe16 Au16	6.2	1320
2½pc '16	(81.6)	158[illegible]	-.3	3,400	Ja26 Jy26	16.1	1321
2½pc '20	(83.0)	149[illegible]	-.3	3,350	Ap16 Oc16	7.4	1322
2½pc '24‡‡	(97.7)	122½	-.3	3,400	Ja17 Jy17	8.1	1323
4⅛pc '30‡‡	(135.1)	121¼	-.3	1,300	Ja16 Jy22	13.1	1134

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for September 1996: 153.8 and for April 1997: 156.3.

Other Fixed Interest

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Asian Dev 10¼pc 2009		120⅜	—	100	Mr24 Se24	24.3	-
B'ham 11½pc 2012		131½	—	45	My15 Nv15	15.4	1837
Leeds 13½pc 2006		139½	—	40	Ap1 Oc1	18.3	3140
Liverpool 3½pc Irred.		44	—	5	[illegible]	3.3	-
LCC 3pc '20 Aft.		30xd	—	28	[illegible]	1.5	-
Manchester 11½pc 2007		127½	—	8	Ap25 Oc25	27.3	3275
Met. Wtr. 3pc 'B'		82	—	25	Mr1 Se1	3.2	3361
N'wide Anglia 3⅞pc 2021		140[illegible]	—	88	Ja30 Jy30	16.12	3465
4¼pc IL 2024		139	—	50	Au23 Fe23	13.1	-

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

PROPERTY - Cont.

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

TELECOMMUNICATIONS

[illegible]

RETAILERS, GENERAL

[illegible]

TEXTILES & APPAREL

[illegible]

SOUTH AFRICANS

	Notes	Price	W'k's ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind R		225	–	0545c	♦	May Oct	2.9	–
Barlow	$†	68½	3.8	0108c	3.3	Jan Jul	9.12	–
Gold Flds Prop R	†	172	28.1	085c	1.5	Feb Sep	29.5	–
SA Brews		£17½	–9	0287c	♦	Jul Feb	2.12	4113
Standard Bank		£27½	–5.0	0284c	3.1	Sep Mar	–	–
Tiger Oats	†	1037	1.6	0230½c	2.8	Jan Jul	10.6	–
Tongaat-Hulett		752½	–4	0142c	♦	Jan Jun	9.12	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: South Beach Cafe (AIM), Salaherat (Distrbs). Deletions: Yorkshire (Electy), Forward Grp (E&EE).

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Please quote the code FT9314. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on the company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements. Company Focus (FT news) £8.45. Focus Plus (FT and Investors Chronicle news) £10.95.

To order, call 0121 200 4878.

Reports published by ShareFinder.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls are charged at 50p per minute at all times. An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial information obtained via FT Cityline before making any investment decision. All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the internet at http://www.FT.com.

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Rothschild Asset Management - Contd.

GUERNSEY (REGULATED)(**)

Royal Bank of Canada Intl Money Market Fd

Sandl International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Staines Fund Managers (Guernsey) Ltd

UBK Asset Management (Guernsey) Ltd

U.S. Advisers (Guernsey) Limited

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

Murray Johnstone (Dublin) Ltd
Europa House, Harcourt St, Dublin 2 3531 407 2000

Odey Asset Management Ltd

Old Mutual International Fd Mngrs Ltd (u)

Barclays Global Investors Ireland Ltd

Baring International Fd Mgrs (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Abtrust Fund Mngrs Luxembourg SA (u)

Aetna Master Fund (u) (b)

Fleming Group - Contd.

Mercury Asset Management - Contd.

ACM Global Investment - Contd.

Aetna International Umbrella Fund (u)

Daiwa Japan Gem Fund

Daiwa Japan Small Equity Fd (u)

Dicam Worldwide Investment Fund

The Dragon Fund Sicav

Egypt Trust

Merrill Lynch Asset Management - Contd.

Swiss Bank Corporation - Contd.

Equitable Life (International)

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 30 / Sch)

BELGIUM/LUXEMBOURG (May 30 / Frs.)

CZECH REP (May 30 / Korona)

DENMARK (May 30 / Kr)

FINLAND (May 30 / Mk)

FRANCE (May 30 / Frs)

GERMANY (May 30 / Dm.)

GREECE (May 30 / Drachma)

ITALY (May 30 / Lire)

NETHERLANDS (May 30 / Fls.)

NORWAY (May 30 / Kroner)

POLAND (May 30 / Zloty)

PORTUGAL (May 30 / Escudo)

SPAIN (May 30 / Pts.)

SWEDEN (May 30 / Kronor)

SWITZERLAND (May 30 / Frs.)

TURKEY (May 30 / Tk Lira)

PACIFIC

JAPAN (May 30 / Yen)

HONG KONG (May 30 / H.K.$)

INDONESIA (May 30 / Rupiah)

MALAYSIA (May 30 / MYR)

NEW ZEALAND (May 30 / NZ $)

SINGAPORE (May 30 / S$)

AUSTRALIA (May 30 / Aust$)

SOUTH KOREA (May 30 / Won)

TAIWAN (May 30 / TW $)

THAILAND (May 30 / Baht)

NORTH AMERICA

CANADA

TORONTO (May 30 / Can $) 4 pm close

MONTREAL (May 30 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (May 30 / Rand)

INDICES

INDEX FUTURES

US INDICES

Dow Jones	May 30	May 29	May 28	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7331.04	7330.18	7357.23	7383.41 (27/5)	6391.69 (11/4)	7383.41 (27/5/97)	41.22 (8/7/32)
Home Bonds	102.12	101.97	102.00	103.83 (19/2)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2684.12	2677.03	2695.78	2683.37 (23/5)	2222.07 (2/1)	2683.37 (23/5/97)	13.23 (8/7/32)
Utilities	222.00	220.94	220.56	240.65 (22/1)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7386.96 (7404.44) Low 7241.76 (7272.24) (Theoretical¶)
Day's high 7371.39 (7388.81) Low 7241.76 (7306.57) (Actual¶)

Standard and Poors	May 30	May 29	May 28	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	848.28	844.08	847.21	849.71 (27/5)	737.01 (2/1)	849.71 (27/5/97)	4.40 (1/6/32)
Industrials¶	1000.53	998.85	1002.60	1006.26 (27/5)	865.42 (11/4)	1006.26 (27/5/97)	3.52 (30/6/32)
Financial	95.01	92.87	93.38	97.25 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	441.76	438.86	438.65	441.78 (30/5)	389.47 (11/4)	441.78 (30/5/97)	4.64 (25/4/42)
Amex Comp.	606.36	603.12	600.79	606.36 (30/5)	541.20 (28/4)	617.30 (22/5/89)	524.20 (16/7/98)
NASDAQ Cmp	1400.32	1403.04	1410.18	1410.18 (28/5)	1201.00 (2/4)	1410.18 (28/5/97)	54.87 (3/10/74)

■ RATIOS

	May 23	May 16	May 9	Year ago
Dow Jones Ind. Div. Yield	1.69	1.71	1.71	2.15
	May 28	May 21	May 14	Year ago
S & P Ind. Div. yield	1.67	1.67	1.68	1.88
S & P Ind. P/E ratio	23.88	23.39	23.88	22.38

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

● Volume (million)

■ S&P 500

■ Nikkei 225

■ TOKYO - MOST ACTIVE STOCKS: Friday, May 30, 1997

	Stocks Traded	Closing Prices	Change on day
Fujitsu	10.5m	1420	
Nippon Steel Cp	8.8m	341	-12
NKK Corp	8.8m	229	-13
Nomura Secs	7.1m	1380	-60
Hitachi	5.6m	1240	-40
Mitsubishi Hvy	4.9m	838	-27
NEC Corp	4.7m	1620	-30
Shinko Electric	4.6m	522	-32
Yaskawa Elect	4.5m	420	+26
Toshiba Corp	4.4m	715	

♣ FT Free Annual Reports Service

4 pm close May 30

NEW YORK STOCK EXCHANGE PRICES

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

NYSE PRICES

4 pm close May 30

Continued from previous page

[illegible]

Price data supplied by Extel, part of FT Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. PE price-earnings ratio. dd-calls. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

♣ FT Free Annual Reports Service

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-320-8097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-8135. Reports will be sent the next working day, subject to availability. You can also order online at http://www.icbinc.com/cgi-bin/ft.

NASDAQ NATIONAL MARKET

4 pm close May 30

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss	0.08	32	83	13 5/8	13 1/8	13 1/8	-1/4
Kaman Cp	0.44	24	23	13 3/4	13 5/8	13 23/32	-1/32
Kelly Sv x	0.84	15	1044	29 3/8	28	28 7/8	+1/4
Kimball	1.04	14	111	39	38 1/4	39	+3/8
KLA-Tn		24	33092	48 3/8	43 1/4	47 3/8	-5/8
Koll A			506	1/8	4/32	1/8	-1/32
Komag			1824416	29 5/8	27 3/4	28 7/8	-1
Kulicke S			18811	34 3/8	30 1/2	33 7/8	-3/4

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow		12	101	18 1/8	15 5/8	15 3/4	-1/4
Rallys			219	2 7/8	2 11/16	2 13/16	-1/8
Raymond	0.25	16	657	u32 5/8	31 7/8	32 3/8	+3/8
RCSB Fin	0.60	14	2536	41 1/16	40 5/8	40 15/16	+1/16
Read-Rite			53601	21 1/2	d19 1/4	20 5/8	-5/8

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		38	43164	55 1/8	50 7/8	54 5/8	-7/8
Xircom		21	7283	14 5/8	13	14.49	-.40
Xoma Corp			2077	5 1/2	4 7/8	5 1/4	+1/4
Yellow			165	19 1/4	19 1/8	19 1/4	+1/8
York Rsch		15	320	7 13/16	7 11/16	7 3/4	-1/16
ZionBcp	0.44	17	3276	30 7/8	30 1/2	30 1/2	-1/4

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$5.375		0	8.25	4.375	Esprit Telecom ADS	US$7.5	-0.25	2900	12.25	5.375
Artwork Systems	US$10.5	-0.5	78650	11.125	9.5	Innogenetics	US$11.625		5925	12.75	10.375
Dialogue	FF18		22000	18	16	Memor Intestel	US$11.25	-0.125	0	11.75	8.125
Dr Solomon's ADS	US$20.375	-0.125	0	28.5	16.875	FoxTech	US$4	-0.125	6	6.125	3.875

Prices for 30/5/97. Please note that mid prices are now used to calculate highs and lows

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 3930)

AMEX PRICES

4 pm close May 30

[illegible]

FT GUIDE TO THE WEEK

MONDAY 2

Canadians go to the polls

Canadian voters are expected to return another Liberal party majority in today's general election. Polls have put Liberal support at 38 per cent of decided voters. Speculation has focused on who will form the official opposition, with two regional parties seen in a dead heat. Francophone support for the separatist Bloc Quebecois has surged in the past few days, while the conservative Reform party remains well ahead of rivals in western Canada. The two parties are at odds over Quebec separatism, an issue which has dominated the campaign. The Progressive Conservatives were second in national polls with 21 per cent, but their support is spread across the country, making it unlikely the Tories will win a significant number of seats.

Top bankers meet

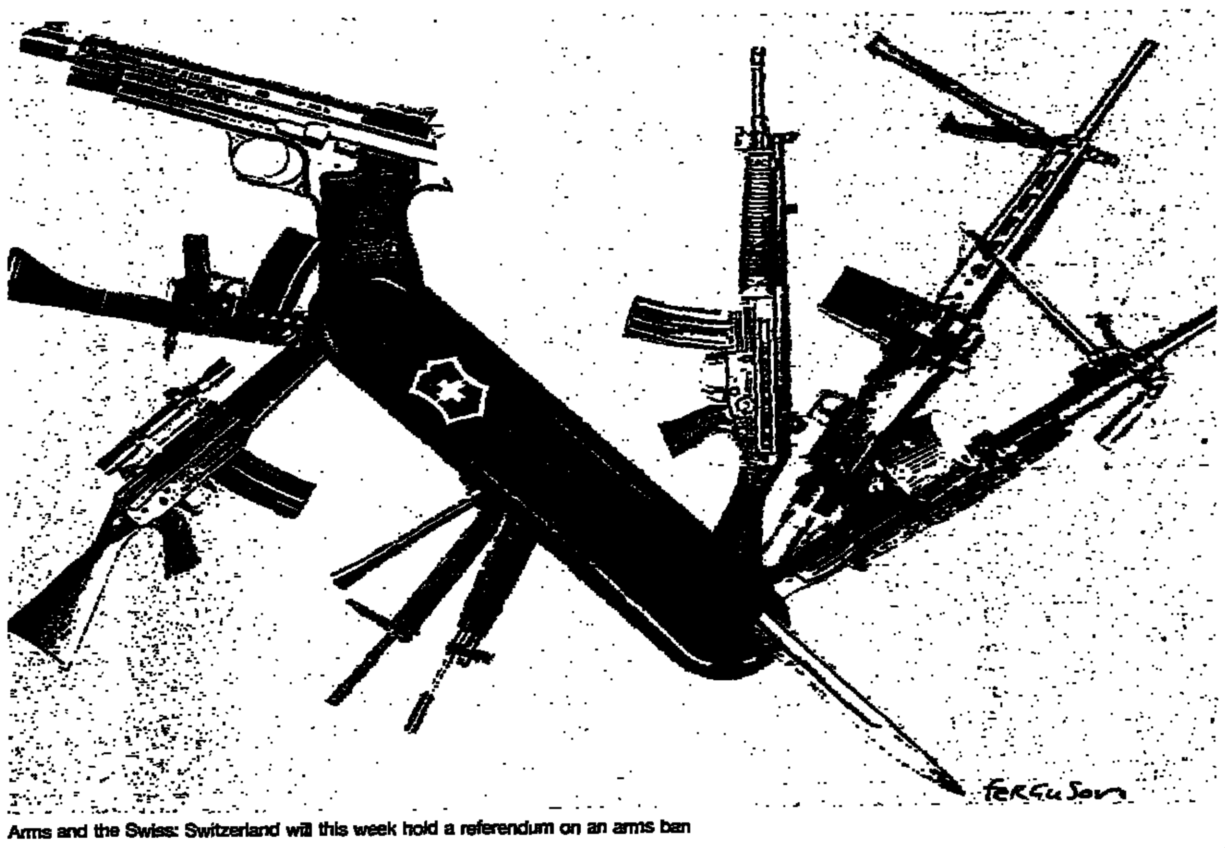
More exclusive than Davos, more private than the IMF/World Bank meetings, the annual International Monetary Conference brings together a hundred or so of the world's top commercial bankers to discuss international banking issues. Topics at this year's meeting, presided over by Lord Alexander of National Westminster Bank, range from European monetary union to emerging markets, and from business risk to regulation. Bankers gathered over the weekend in the Swiss resort of Interlaken and will meet for the next three days. Guest speakers include Mr Helmut Kohl, the German chancellor, Mr James Wolfensohn, president of the World Bank, and on Wednesday a panel of central bankers.

EU summit theme

Summitry is the common theme on the agenda of today's EU foreign ministers' meeting in Luxembourg. Ministers will seek to remove obstacles to a new Maastricht II treaty scheduled to be wrapped up at the EU summit in Amsterdam in mid-June. They will also prepare for the EU-Japan summit and receive a report on last week's EU-US summit. It saw a breakthrough in mutual recognition agreements that should remove red tape on annual two-way trade of $40bn. Ministers will discuss relations with Albania, the humanitarian crisis in the Great Lakes of Africa and relations with Hong Kong.

Threat to fish stocks

Environmental organisations meet in Geneva to discuss the threat to the world's fish stocks posed by subsidies to fishing fleets of some $54bn a year. Papers prepared for a two-day workshop, organised by the World Wide Fund for Nature and the United Nations Environment Programme, show the world's conventional fish species - cod, haddock, flounder and shrimp - are now over-fished, with other species close to extinction. The workshop is expected to call for subsidies to be phased out.



Arms and the Swiss: Switzerland will this week hold a referendum on an arms ban

Mobutu on OAU agenda

The ousting of President Mobutu Sese Seko and the recent military takeover in the West African state of Sierra Leone are expected to dominate debate at the yearly Organisation of African Unity (OAU) summit in Harare, Zimbabwe (to June 4). Mr Laurent Kabila, who seized power in former Zaire after a long military campaign, is expected to be among more than 40 leaders present. It will be his first official visit abroad as head of state. But criticism of the AFDL leader is bound to be muted from an organisation whose ineffectual handling of the Zaire crisis underlined its fundamental weaknesses.

UK budget date

Mr Gordon Brown, UK chancellor, is expected to announce this week the date of his budget.

FT Survey

Ivory Coast

TUESDAY 3

N Ireland talks resume

The Northern Ireland multiparty talks are due to resume at Stormont. Both British and Irish officials will be hoping the politicians can inject some urgency into the negotiations, which might encourage the IRA to deliver a ceasefire. London and Dublin, supported last week by US President Bill Clinton, insist the IRA call a permanent cessation of violence before Sinn Fein, its political wing, can join the other parties.

"Social labelling" proposal

The International Labour Organisation begins its annual conference in Geneva which will be attended by some 3,000 delegates from 174 member countries representing governments, employers and trade unions. They will debate the proposal by Mr Michel Hansenne, ILO director-general, for a global "social labelling" scheme for products whose manufacturers meet basic labour standards.

Soccer

Tournoi de France kicks off with France, Italy, Brazil and England competing in the nine-day tournament

WEDNESDAY 4

Colombian gas sale

The Colombian state petroleum company, Ecopetrol, is due to auction 7.5m shares in Gas Natural, which distributes gas and other fuels in the Bogota area. The shares, representing just over 50 per cent of Gas Natural, will be offered on the Bogota, Cali and Medellin stock markets simultaneously. The sale is part of a government strategy to realise assets to fund oil projects. Ecopetrol hopes to raise more than $50m.

Economic rankings

The International Institute for Management Development (IMD) in Lausanne, Switzerland, publishes its World Competitiveness Yearbook, a rival to the Global Competitiveness Report published last month by the Geneva-based World Economic Forum. The IMD, which takes a less hard-edged market-based approach than its rival, tends to rate countries differently. Like WEF it grants high marks to the US, Singapore and Hong Kong. But the UK - seventh in the WEF rankings - is 11th in the IMD rankings. Denmark is rated 8th, against the WEF's 20th.

FT Surveys

Review of Information Technology. Doing Financial Business On-Line

THURSDAY 5

Algeria set for elections

Algeria is to hold legislative elections today, the first since the start of the five-year conflict between Islamic militants and the authorities. The National Democratic Rally, the newly-created government party, is expected to win a large part of the vote while The Movement for a Peaceful Society, the moderate Islamic party, formerly Hamas, is hoping to capture a large part of the banned Islamic Salvation Front vote. In December 1991 the FIS won an absolute majority in the first round of the elections but the results were cancelled and the country plunged into civil war. The national assembly has only limited powers, following last November's amendment to the constitution.

Euro-socialists meet

Mr Tony Blair, the UK prime minister, joins European leaders at the third congress of the Party of European Socialists in Malmö, Sweden. Discussions are expected to centre on European issues and topics include social policy, education and security policy. Among those attending are Mr Oskar Lafontaine, German Social Democrat leader, Mr Costas Simitis, Greek prime minister and Mr Javier Solana, Nato secretary-general.

Racketeer deals hearing

Executives of scandal-hit Nomura Securities and Dai-Ichi Kangyo Bank are due to appear before Japan's parliamentary budget committee to explain their dealings with *sokaiya*, corporate racketeers. The two institutions are accused of illegal deals with *sokaiya*, including massive pay-offs, in a spreading scandal. It is doubtful whether Mr Hideo Sakamaki, former president of Nomura who was arrested late last week, will appear.

Prodi visits China

Italian Prime Minister Romano Prodi begins an official visit to China today. Mr Prodi's two-day visit is expected to promote bilateral ties and co-operation. Italy is China's second largest trading partner in Europe. Bilateral trade reached $5.08bn in 1996 and Italian businesses' actual direct investment in China totalled $946m by the end of 1996.

Cricket

England plays Australia in the first test (to June 9), Edgbaston.

FRIDAY 6

Irish elections

Ireland goes to the polls in a general election, which is expected to produce one of the closest results in years. The opposition Fianna Fail party is tipped to form the next government in coalition with the small right-of-centre Progressive Democrats. But the complex system of vote transfers makes the outcome difficult to predict. Some analysts have been forecasting the independents will hold the balance of power. Whatever the outcome, the country will face a lengthy period of political bartering over the new coalition.

Apec attraction

The Second International Trade Fair of the Asia-Pacific Economic Co-operation (Apec) group begins at eastern China's coastal city Yantai, Shandong Province. Sponsored by Apec, the Chinese Ministry of Foreign Trade and Economic Co-operation, and the provincial government of Shandong, the four-day fair is due to attract businesses from more than 40 countries and regions. The local Yantai government is expected to propose 1,000 economic and technological co-operation projects with overseas businesses.

Victorian masterpiece

The undoubted masterpiece of the Victorian artist John Stanhope Spencer is expected to sell for over £1m at Christie's in London today. "Love and the Maiden", painted in 1877, depicts a winged figure approaching a startled young girl. The painting was admired by Oscar Wilde, and has been in the same family since 1887. A rare English landscape by Edward Lear, "Nuneham", depicting the Oxfordshire estate of his patron, Lady Waldegrave, could make £120,000, as could a typical classical scene by Alma-Tadema of arguing lovers, "A difference of opinion".

Sumo goes to Melbourne

About 100 of Japan's leading professional sumo wrestlers are to stage a two-day tournament in Melbourne, Australia, where there is a growing following for the sport. Leading the team will be the two *yokozuna*, the champions, Takanohana and former Hawaiian, Akebono. The team will hold a tournament in Sydney on June 13-14. On June 16, the two *yokozuna* will appear in Brisbane.

FT Surveys

Bristol. German Banking and Finance

WEEKEND 7-8

Swiss arms referendum

Switzerland is on Sunday to vote on whether to ban arms exports. A ban would cost several thousand jobs. However, neutral Switzerland has been embarrassed by accusations that two thirds of its arms exports in the second world war went to Germany and its important armaments industry has continued to prosper from other people's wars. The Swiss government is against banning arms exports. It has also urged the electorate to reject a far-right proposal that it must win the support of the population before restarting negotiations on joining the European Union. Both proposals are expected to be rejected. The Swiss will also vote on the abolition of the government's gunpowder monopoly. The government supports the abolition.

Horse racing

Derby at Epsom, England (Saturday).

Motor racing

French Grand Prix (Sunday).

Compiled by Bob Vincent.
Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: Consumer credit growth in the UK is expected to have remained buoyant during April. Markets will also be monitoring the release of M4, a measure of broad money, which has expanded above target in previous months.
Tuesday: The monthly leading indicators for the US economy is expected to have remained positive during April – signalling an expanding economy. The markets are looking for a month-on-month expansion of 0.1 per cent.
Wednesday: US factory orders should have bounced back during April, after a month-on-month fall of 1.6 per cent in March.
Thursday: First quarter growth in German gross domestic product is likely to have been slow because of weak construction activity. The markets are looking for an annual GDP increase of 1.4 per cent.
Friday: German unemployment figures are forecast to show a small drop in May because of the slow economic recovery. The headline rate is forecast to drop from 11.3 per cent in April to 10.9 per cent.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	France	Apr unemployment rate	12.8%	12.8%
June 2	France	April jobseekers*	0.1%	0.2%
	Germany	May purchasing managers index		56.58
	Japan	May forex reserves*		0.3%
	UK	May Chartrd Inst of Purchasng Mangrs		53.1%
	UK	May M10*	0.4%	0.2%
	UK	May M10**	6.3%	6%
	UK	April consumer credit	£950m	£780m
	US	April personal income	0.1%	0.6%
	US	Personal consumer expenditure	unchanged	0.5%
	US	May Nat Assoc of Purchasing Mgrs	54%	54.2%
	US	April construction spending	0.5%	-0.2%
	US	May domestic automobile sales	6.9m	6.6m
	US	May domestic light truck sales	6m	5.8m
Tue	UK	May official reserves		-$99m
June 3	US	BOT-Mitsubishi May 31		-1.5%
	US	April leading indicators	unchanged	0.1%
	US	Redbook May 31		0.5%
Wed	Italy	May consumr price index (ex-tobacc)*	0.2%	0.1%
June 4	Italy	May consumr price index (ex-tobacc)**	1.5%	1.7%
	US	April factory orders	0.6%	-1.6%
	US	April factory inventories		0.2%
	US	April home completions		1.4m
	Japan	May trade balance (1st 20), not†		-Y179bn
	Germany	April industri produc pan-Germany*	0.8%	0.5%
	Germany	April manufac output pan-Germany*	0.7%	0.2%
	Germany	April industrial production west*		0.1%
	Germany	April industrial production east*		6.8%
Thur	Japan	April overall personl consmr expend**	-4.5%	5.6%
June 5	Japan	April personl consmr expend (workrs)**		6.6%
	Germany	Q1 GDP pan-Germany***	0.4%	0.1%
	Germany	Q1 GDP pan-Germany**	2%	2.1%
	UK	May CBI trades		NA
	US	Initial claims May 31		322,000
	US	State benefits May 24		NA
	US	M2 week ended May 26		$8.5bn
Fri	Germany	May unemployment rate pan-Germany†	-9,000	8,000
June 6	Germany	May unemployment rate west†		6,000
	Germany	May unemployment east†	-9,000	2,000
	US	May nonfarm payrolls	220,000	142,000
	US	May unemployment rate	5%	4.9%
	US	April wholesale trade		-0.9%
During the week...				
	Germany	April manufac ordrs pan-Germany*	1%	0.9%
	Germany	March capital account		6.2bn
	Germany	April net foreign bond purchases		1.1bn
	Japan	April current account (IMF), not†	Y1,100bn	Y536bn
	Japan	April trade balance (IMF), not†		Y567bn
	Japan	April foreign bond investment		Y393bn

*month on month, **year on year, ***qtr on qtr, †seasonally adjstd

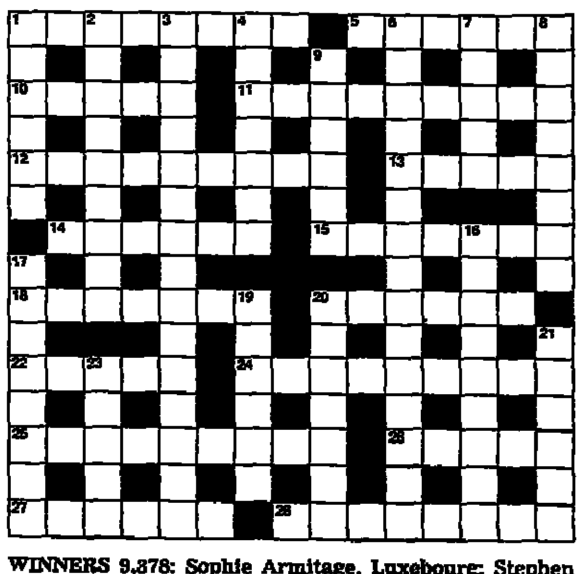
Statistics, Standard & Poor's MMS

ACROSS

1 Is returning 10p coin no longer in use (8)
5 Rips dress (not off!) to get cooler (6)
10 Belief first expressed in a marquee (5)
11 Pop has the liquid fertiliser (9)
12 Scoffing salesman leads recital (9)
13 Supporter's a slippery customer since trapped (5)
14 Animal separated by a grating (6)
15 Most kinky woman admitted it keeps things hot! (7)
18 Opening credit note before deputy finds it (7)
20 Beat lad for going around looking at bloomers? (6)
22 In time kiss famous model more (5)
24 Union leader in a blue fit refused fine (9)
25 One's sin is terribly rowdy behaviour (9)
26 Call on Violet to pose (5)
27 Shelves to be put in toboggan facing backwards, always (6)
28 Hot water tender going around beach (8)

DOWN

1 Stitching us up, true to form (6)
2 "One hates strangers to find box open" he explodes (9)
3 Unusually fresh as a rule (15)
4 Fancy car with no rear end damage (7)
6 Salesmen stand for it and save trouble (15)
7 Stops and speaks about last night (5)
8 Unwanted sewers start subsiding (8)
9 Overlook catch on account of going first (6)
16 Obvious love for political declaration (9)
17 Loose stones behind which lair stands hidden (8)
19 Badge in hem blemished suits (6)
20 Club money, in other words (7)
21 Be outwardly burning hot but happy (6)
23 Experience industrial water shortage (5)



WINNERS 9,378: Sophie Armitage, Luxebourg; Stephen Higgins, Staines, Middlesex; A.R. Neale, Bahrain; Fiona Melbourne, Chippenham, Cambridgeshire

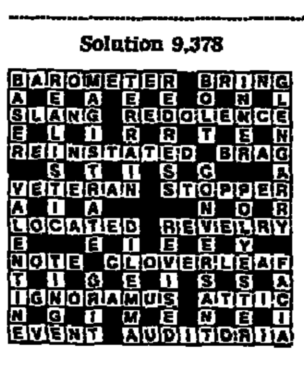
MONDAY PRIZE CROSSWORD
No.9,390 Set by GRIFFIN

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday June 12, marked Monday Crossword 9,390 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday June 16. Please allow 28 days for delivery of prizes.

Name.................................

Address.................................

Solution 9,378



JOTTER PAD

هكذا من الأصل